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About this Handbook

Virginia adopted a “performance budgeting” process in mid-1995 to integrate planning and performance concepts with budget development. The process is designed to set priorities and direct scarce resources based on those priorities. A set of performance measures monitors the effectiveness of public programs.

Specifically, “performance budgeting” is a blend of strategic planning, performance measurement, and budgeting techniques. The suggested approach instructs agencies to identify the needs and demands of their constituents, prioritize agency programs, establish clear measurable objectives, produce and maintain a formal system of accountability, and use the information in budget development. The fully integrated process helps state government become more creative, flexible, and entrepreneurial in responding to citizens’ needs. Scarce resources are directed toward high priority and well-performing programs or services.

To help agencies better use the performance budgeting process, the Department of Planning and Budget developed this handbook. It is designed to assist agencies as they integrate planning, performance, and budgeting practices with overall agency management. Provided as a resource, its use is entirely optional. Formal, written instructions will transmit specific requirements and products necessary for biennial budget development. Those instructions may refer the agency to this handbook for background information or examples. However, agencies are not expected to do everything outlined in this handbook.



Section 1: Setting the Stage

The guidebook is divided into four sections. Together the sections describe the mechanics of the performance budgeting process. The first section is introductory. It discusses the uncertain environment in which agencies operate and examines the merits and general methodology of the performance budgeting process.

Section 2: Strategic Planning

An overview of the strategic planning process introduces the second section. Strategic planning is a powerful tool for setting priorities and making informed decisions about the future. It helps an agency get everyone going in the same direction. It shows employees how their jobs support the agency's mission. After the overview, a series of chapters detail the process's steps. Each includes a description of the step's purpose, some desired outcomes, tips on facilitation, sample worksheets, and specific examples. These chapters provide guidance to those who are new to the process and act as a refresher for those who have been through the exercise before.

Section 3: Accountability

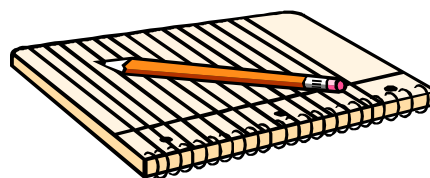
This section contains with a general discussion of public accountability. While the private sector has profits as a key measure of performance, the public sector lacks a similar "bottom line." However, more and more taxpayers want to know how well their tax dollars are being spent. Citizen demands for accountability compel public managers to systematically monitor agency results. An effective accountability system examines each program and precisely describes desired accomplishments for it. Using the list of expectations, the agency compiles a set of indicators, which can track progress toward achieving the anticipated results. After the general discussion, the section describes how to build a performance measurement system and use the information. Facilitation suggestions, examples, and possible outcomes for the process are given.



Note on the planning perspective

Material in the *Handbook* is generally written from the perspective of planning for an organization as a whole. Of course, an organization is a multifaceted system. It consists of separate functions, cross-functional processes, management layers, individual performers, specific programs, products or services, and a variety of other ways in which all of these can be (and are) interrelated. Depending on the size and structure of an individual agency, separate planning may be needed and performed for each major activity, program, business process, function, division, section or any other segment the agency designates. However, any separate planning activities must be consistent with and support the overall agency plan. The agency-wide plan unifies all elements of the organization and establishes a shared direction. High-performing organizations can generally demonstrate how individual actions come together to collectively move the organization in its preferred direction.

Separate segments of the agency should be discouraged from going off in their own directions. Management becomes unnecessarily complicated when an agency's parts operate independently and lack coordination. Agency components must operate in harmony. At all times, the agency's overarching purpose should direct operations. When subordinate parts fulfill their supportive role, the agency can achieve its potential.

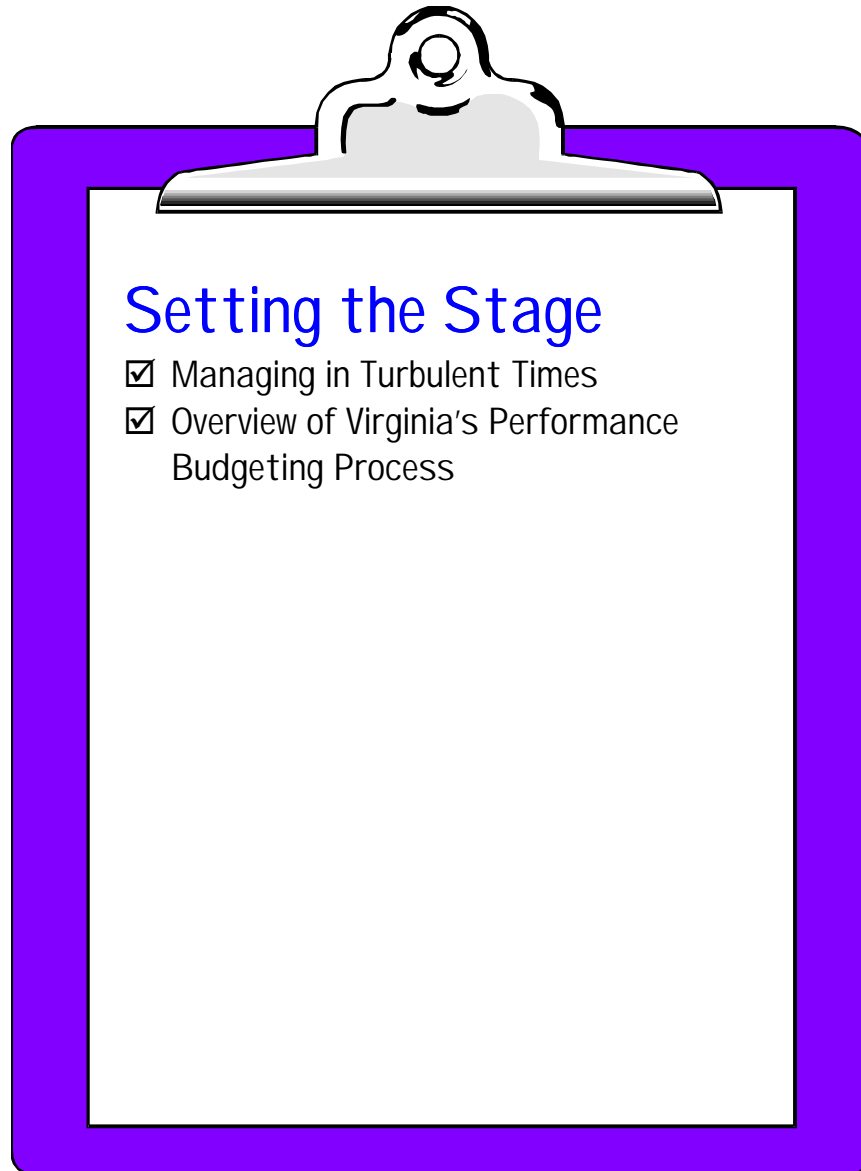


The Handbook is in a notebook format. A list of references and a glossary are located in the back. ***Please remember that all information is offered as a guideline, not a requirement.*** Any comments or suggestions may be directed to the Planning and Evaluation Section at DPB.





Section 1







Managing in Turbulent Times

Change alone is unchanging.

Heraclitus

Greek Philosopher (535-475 B. C.)

No individuals or institutions are exempt from the disorienting effects of the rapid change that permeate modern life. Its pace alters needs and demands, desires and expectations, as well as the methods of production, service delivery, transportation, communication, the amount and availability of information, and business practices. The ever-increasing degree of change and its compounding effects on societal interrelationships generate complexity and place particular stress on public agencies. Encumbered with structures and processes rooted in the past and designed to meet the demands of earlier times, many public sector organizations must be better prepared to handle the emerging demands of the 21st century.

Other significant trends have converged to intensify the force of change—among them, the layering of new responsibilities and programs on existing ones in response to economic and social issues. Frequently, policy makers barely consider the effect of the requirements on a public agency's mission or direction. Consequently, the cumulative effects of these actions can leave many public sector entities confused about what business they are in.

As public needs and demands grow, the willingness to provide comparable increases in funding is in decline. This trend intensifies competition for public funds. At the same time, the public wants more results-oriented government programs. No longer are taxpayers willing to

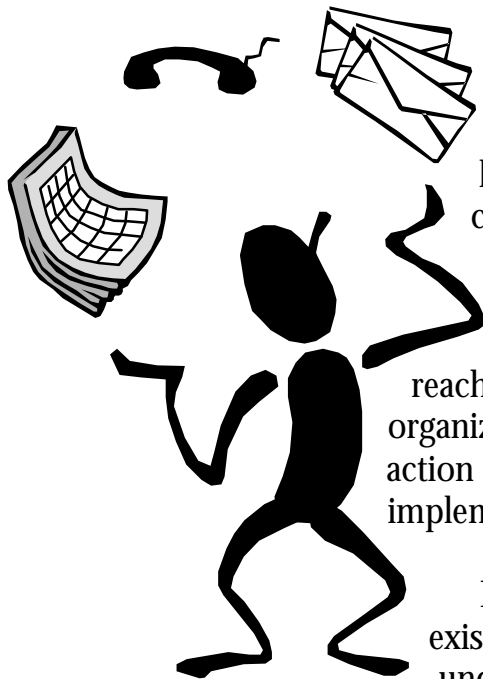




blindly accept pleas for added resources and expanded programming. They want to see, concretely, what they are getting for each tax dollar spent.

This combination of factors leaves public sector entities facing enormous challenges. They are being asked to be flexible and adaptive, aware of changing priorities and responsive to them. They must improve their ability to:

- distinguish the important from the unimportant;
- transfer resources from lower to higher priorities;
- make difficult choices;
- understand their performance;
- stay in touch with those they serve;
- master processes that lead to the expected products and services;
- invest more effectively in their human resources;
- have a well-grounded systems perspective on how an organization operates and interacts with the world around it; and,
- continually strive for excellence.



Developing organizations with the competencies to meet these challenges is no simple task. Public sector leaders must assess an organization's current organizational capabilities and compare them with those needed to acceptably meet current and future challenges; then chart a course to reach those levels. Success hinges on an organization's ability to follow the plan of action as well as to adapt it during implementation when needed.

No single, "one-size-fits-all" solution exists. Yet, each organization must understand its operations and inherent capabilities, the effects of the external environment on it, the needs and demands of its primary constituents, and needed competencies for success. Using this base of understanding an organization assesses where it presently



is, determines where it needs to go, figures out how to get there, and follows-up by measuring its progress. The most desirable tools or techniques to accomplish this exercise are those that fit an organization's needs at that time. As an organization's situation evolves, it may change the techniques or tools used. While each agency charts its course in response to its environment and the challenges it faces, the practices described in this handbook can help agencies perform better. Persistently applying these practices helps an organization become more results-oriented and gives Virginia's citizens the efficient government they deserve.

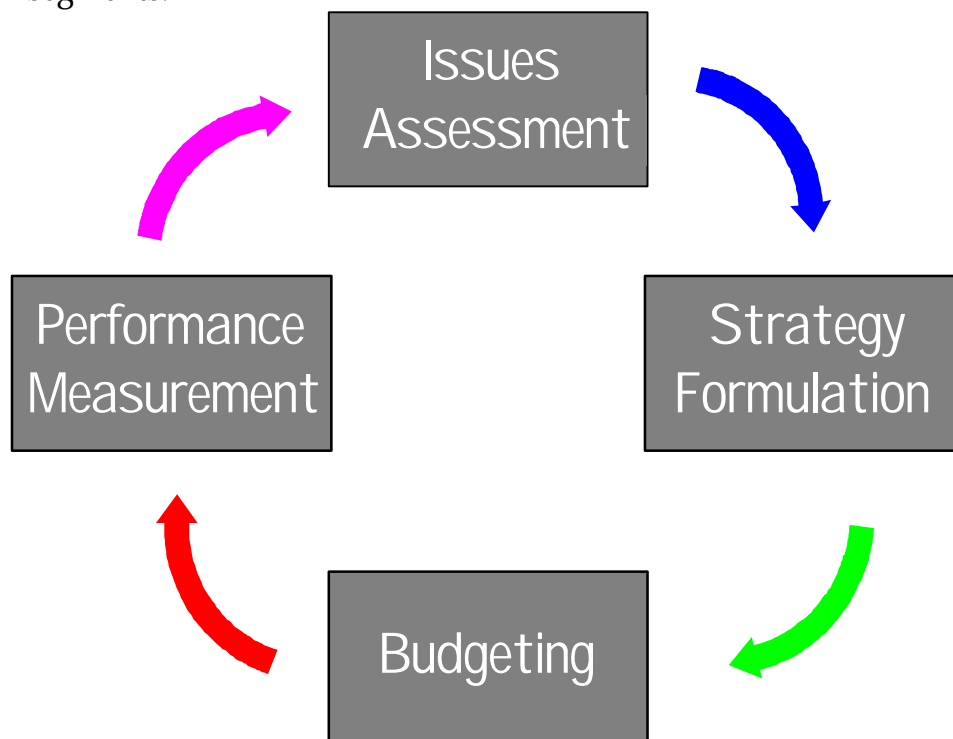




Overview of Virginia's Performance Budgeting Process

To maintain effectiveness, government must monitor and respond to the changing needs of its citizens. Past priorities and missions must be periodically evaluated in the context of current realities. In 1995, Virginia launched a performance budgeting process, designed to better navigate the state through rapid change. The process incorporates *strategic planning* and *performance measurement* practices into the management of all state operations. When these tools are properly used, the role, cost, and performance of public programs and activities are examined and decisions are made based on these findings. A clear set of priorities emerges for agency programs and activities. Based on those priorities, resources are directed to programs and activities that fulfill the agency's mission and meet constituents' expectations.

Virginia's performance budgeting process provides the framework for the needed iterative assessment. The process consists of four segments:





- identifying the critical issues facing state government;
- developing strategies to manage the issues;
- preparing a budget to support new and ongoing strategies; and
- establishing a set of performance measures to monitor progress and achievement of results.

Each phase is briefly described below:

Identifying critical issues. The first two parts of performance budgeting form a strategic planning process. Agencies examine their missions, mandates, constituent needs, internal strengths and weaknesses, and external opportunities and threats. By analyzing them, agencies identify critical issues they are likely to face. These key issues are prioritized and later discussed with decision makers. Strong lines of communication between the Governor, his Cabinet Secretaries, agency heads, and the Department of Planning and Budget promote a healthy discussion of each agency's issues and provide a forum for early guidance to agency leaders.

Developing strategies. Agencies combine feedback received from decision-makers with the information gathered earlier, then develop strategies to manage the array of critical issues. A strategic plan outlines the agency's goals, objectives and strategies. The plan's desired course of action should encompass all strategic actions, not merely those requiring additional resources. However, those strategies that do affect resource allocations are further addressed during budget development.

Budget development. Agencies identify strategies that require changes in resources and address them in the budget submissions. This directly links the strategic plan and requests for funding. Submissions include a breakdown of resources required to set into operation each strategy during the upcoming biennium.

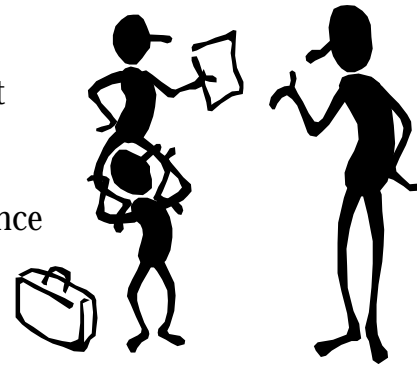
In addition, each agency assesses its activities to develop its budget request. It places the activities in priority order during the planning process. Alternative methods for providing each activity are examined. Each activity is justified and the needed funding is itemized. Any low



priority activities are analyzed to determine whether resources going to them are cost-justified.

Performance measurement. Each agency identifies performance measures to monitor the effectiveness of particular activities as well as progress toward fulfilling its mission. Properly constructed measures are an important management tool. They can indicate potential problems so immediate corrective action can be taken. In addition, they give policy analysts and decision makers added information since they describe a program's or activity's efficacy. If programs or activities aren't meeting constituents' needs, they should be revised to resolve the problem or re-evaluated for continuation. Resources from obsolete programs or activities can be redirected to higher priority or well-performing ones.

Integrating strategic planning and performance measurement with the budget process helps state government eliminate waste, set resource priorities, and ensure accountability to taxpayers. The performance budgeting process will evolve with use. As agencies become more adept at planning and developing measures, they will become more results-oriented. Lessons learned from each iteration help improve the next. Agencies will sharpen their capability to build budgets that reflect strategic priorities and support a desired set of results.







Section 2



Strategic Planning

- ☒ General Description of the Strategic Planning Process
- ☒ Getting Organized
- ☒ Recent Accomplishments and Desired Improvements
- ☒ Clarifying Agency Mandates
- ☒ Administration's Initiatives and Priorities
- ☒ Identifying the Needs and Demands of Stakeholders and Constituents
- ☒ Mission and Purpose
- ☒ Assessing the Operating Environment: Internally and Externally
- ☒ Identifying Core Business Activities
- ☒ Identifying Critical Issues
- ☒ Deciding How to Manage the Critical Issues
- ☒ The Strategic Plan
- ☒ Getting More Specific—Action Planning





General Description of the Strategic Planning Process

➔ Strategic planning: purpose and benefits

Public sector planning is not new. Agencies and institutions routinely prepare yearly operational plans. Some public organizations develop long range or “comprehensive” plans. Strategic planning, however, distinctly differs from each of those planning activities. Among its most distinguishing characteristics are:

- A bias for action;
- Emphasis on strategic thinking rather than producing a planning document;
- Anticipation of future events and their likely impact on the fundamental organizational operations;
- Focus on identifying what is essential for organizational success and channeling resources toward those efforts;
- Concentration on results; and,
- Capability to see a desired future-state and construct it.

Simply, strategic planning helps an agency understand its present situation, examine how current and future trends may affect it, and decide how to best manage anticipated challenges. A precise set of concepts, procedures, and tools help an agency interpret emerging trends and issues. During each planning cycle, insights gained equip the agency to effectively respond to rapid, complex change as it deliberately focuses on its desired destination.

Strategic planning potentially improves organizational management in many ways. Foremost, a well-executed planning exercise promotes a common understanding about the agency's overall direction and purpose. Individuals see how their actions support the agency mission. Clarity of purpose enhances the organization's ability to recognize and concentrate on those activities or actions that are fundamentally important. The strategic planning process trains staff to think and act



strategically. These skills permit the agency to creatively handle changing circumstances. Other possible benefits include:

- The ability to move from crisis-driven to anticipatory decision-making with a clearly established direction for key issues;
- Emphasis on results and benefits rather than levels of service and workloads;
- Sharply focused issues for review and debate by policy makers;
- A framework to link budget allocations to priority issues and improve accountability;
- Improved communication between service providers and their various constituencies;
- An enhanced ability to respond quickly to changing conditions because of lessons learned while analyzing its current situation;
- Improved capacity to structure and direct resources to achieve



excellence, profit from opportunities, and generate desired results;

- Better information for decision-making and resource allocation; (For example, needed new or expanded services/programs are identified; justification and expected results for these requests are established up-front. Unavoidable budget reductions are made with an improved

understanding of how to minimize the effect on expected program and service quality.)

- A comprehensive understanding of constituent expectations;
- A foundation for building teamwork;
- Improved organizational performance;
- An emphasis on measurable objectives which promote greater accountability for performance; and,



- An increased possibility of equal or better results using fewer resources.

While strategic planning offers an agency an array of potential benefits, it should not be construed as a panacea. A well-executed strategic planning process takes both commitment and resources from agency management. For that reason, management should discuss and articulate its expectations for the planning process before starting it. These expectations guide process design so that it meets the agency's unique needs.

➔ Factors that contribute to success

Every planning exercise is unique in its own way: the people involved change, new issues emerge while old issues modulate, priorities shift, constituent desires and needs shift, resources rise or fall, etc. While circumstances vary, successful processes tend to share common characteristics:

- Fully supportive leadership;
- A flexible, user-friendly process based on an agency's unique needs;
- All levels of the organization broadly participate;
- A sense of realism throughout the process; (All aspects are considered such as personnel, fiscal condition, and budget trends in order to write goals, objectives, and strategies that reasonably fit within the organization's culture, philosophy and current conditions.)
- Competing interests and possible compromises examined;
- Accountability through specific, targeted results;
- Established priorities to guide resource decisions;
- Common sense of purpose to unify and empower the agency;
- Process's ongoing, cyclical nature produce a sense of freshness;
- Heightened awareness and consideration of conditions and trends external to the agency; and,
- Those directly responsible develop and carry out specific actions.



Most importantly, strategic planning is simply good management. It is a disciplined effort to gather broad-scale information, explore feasible alternatives, and examine the implications of present-day decisions on an agency's future health. It embraces divergent views and builds a shared consensus for managing basic challenges. The success of strategic planning rests with an agency's ability to construct a supportive environment within which to implement the process.

➡ Description of generic planning process

No one best way exists to undertake strategic planning, however, the literature describes a standard planning cycle. Agencies may review the standard model and adapt it to effectively meet their specific needs and circumstances.

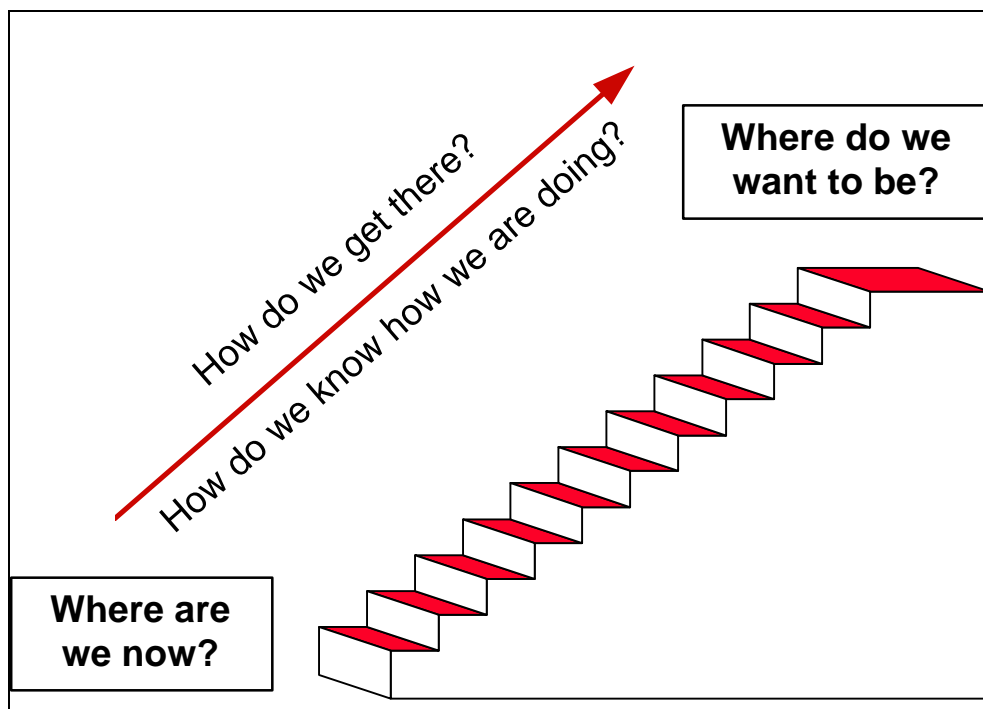


Figure 1

A standard planning process can be illustrated by four simple, yet provocative questions: 1) Where are we now? 2) Where do we want to



be? 3) How do we get there? and, 4) How will we know that we are making progress?

How do we get ready to plan?

⇒ **Getting Organized.** Preliminary tasks consist of designing the process, determining the level of time and resources available for planning, establishing the desired process outcomes, deciding who will participate and how, and setting up a structure for the process. The preparatory work is critical for the process's success. By completing these tasks, a clear purpose and direction guide agency staff while they implement the process.

Where are we now?

These activities guide the agency through a structured assessment of its present situation. When completed, the agency can identify the critical issues it faces for this planning cycle. The steps are:

Look at Recent Accomplishments and Desired

Improvements. Discuss agency achievements and identify areas for improvement.

Clarify Organizational Mandates. Review current mandates that govern agency operations and discuss any new or changing ones.

Examine the Administration's Initiatives and Priorities. Review the administration's initiatives and priorities and discuss how the agency's work supports any of them.

Identify Constituents' Needs and Demands. Identify groups who have a significant influence on the agency and what it does. Assess how well needs are currently met and how those needs will evolve in the future.

Develop or Refine Mission. Reexamine the agency mission statement and discuss whether it clearly states the agency's role and purpose.

Identify Core Business Activities. Review and discuss the primary functions of the agency--those goods and services the agency was created to deliver.

Assess the Current Situation: Internally and Externally by Identifying SWOTs. Comprehensively assess the agency's internal capabilities as well as the external factors that may have a



positively or negatively affect its operations. Describe internal agency strengths and weaknesses; identify external opportunities and threats.

Identify Critical Issues. Analyze the list of strengths, weaknesses, opportunities, and threats (SWOT) and identify critical issues challenging the agency.

Where do we want to go?

The agency examines each critical issue and discusses alternative ways to respond. By choosing the most appropriate response, the agency is able to meet its constituents' expectations and achieve demonstrable results.

- ⇒ **Management of critical issues (Part 1).** Consider alternative responses and select the best for managing a particular challenge. Determining how to manage an issue has two parts (one here and the other under the next question). First, the agency decides what result it seeks in managing the challenge. These decisions are expressed as goals and objectives.
 - **Setting Goals.** The general end purpose toward which effort is directed.
 - **Setting Objectives.** The specific and measurable targets for accomplishment.

How will we get there?

Answers to the “how” question link the goals and objectives to the agency's actual work. The strategic plan summarizes how the agency reached its current position, establishes the goals and objectives that show where it wants to go, and develops broad strategies that explain how it will achieve the goals and objectives. A strategic plan has a long term planning horizon (Virginia uses a six-year horizon.) The broad strategies translate into short-term actions as yearly or biennial action plans are drafted. A well-constructed action plan links the strategic plan to agency operations.

- ⇒ **Management of critical issues (Part 2).** The second part of managing a critical issue describes how the issue will be managed to accomplish the goals and objectives. The answer to “how” describes



the strategy. When strategies are combined with the goals and objectives, they form the organizational strategic plan.

- **A strategic plan.** Sets the broad long-term direction for the agency. Virginia agencies use a six-year planning horizon.
- **An action plan.** Specific tasks for the agency to undertake to move toward its strategic direction. It links the long-range plan to agency operations.

How do we measure our progress?

Planning success depends on satisfactorily executing the plan and monitoring its results. A well-planned accountability system increases the likelihood of successful implementation. Accountability touches all levels of the agency. Senior managers, program managers, and employees are responsible for aspects of the plan. An accountability system reinforces that. Constructively using an accountability system peaks interest in and builds commitment for the planning process.

- ⇒ **Accountability.** The methods used to measure results.
 - **Performance measures.** Tools used to measure performance and quantitatively evaluate progress toward planned targets.
 - **Tracking and monitoring systems.** Systems to report the progress of implementing the plan and achieving desired results as demonstrated by specific performance measures.

⇒ Planning products

STRATEGIC PLAN

Strategic planning is a set of concepts, techniques and tools that help an agency assess where it is, decide where it wants to go, and determine the best way to get there. The process cycle is periodically repeated. The agency summarizes the information gathered during each cycle. That information becomes the background as the agency identifies its fundamental challenges, decides on a preferred direction, and develops a way to move there. These elements become the basis for the primary product—a strategic plan. A well-written strategic plan serves as an important management tool. It presents a wide-angle, long-term view of the agency internal as well as external constituents. It conveys agreed



upon priorities and provides an easily understandable, concise statement of strategic direction. It serves as a fundamental guide to evaluate all agency actions.

For those who design the agency's process and collect information, an established format for the strategic plan is useful. While an agency may tailor the plan's format, the following elements are frequently included:

- Mission Statement
- Overview of the Plan
 - ⇒ Expected benefits
 - ⇒ Recent successes
 - ⇒ Description of actual planning process followed
 - ⇒ Discussion the plan's uses
- Summary of agency mandates
- Constituent Analysis
 - ⇒ Description and priority of constituents
 - ⇒ Constituent expectations, now and in the future
 - ⇒ Objective assessment of how well constituent requirements are currently being met
- Core Business Activities
 - ⇒ Description of the core business activities
 - ⇒ Discussion of the priority of the activities
- Situation Assessment
 - ⇒ External opportunities and threats
 - ⇒ Internal strengths and weaknesses
 - ⇒ Implications of opportunities, threats, strengths and weaknesses for future operations
- Critical Issues
 - ⇒ Description of the critical issues the agency faces and the challenges they present
 - ⇒ Explanation of the priority assigned to the issues
- Strategic Summary
 - ⇒ Goals the agency desires to pursue
 - ⇒ Objectives that describe the specific outcomes sought



- ⇒ Description of strategies and timetable to move the agency in the preferred direction
- ⇒ Assignment of responsibility for implementation of strategies
- Tracking and Evaluation
 - ⇒ Process to monitor progress on plan
 - ⇒ Role of performance measures
 - ⇒ Description of key performance measures

ACTION PLAN

The strategic plan prescribes a comprehensive view of agency operations. However, converting this long-term picture into reality depends on well-executed efforts in the short-term. To successfully implement a strategic plan, an agency identifies the steps necessary to achieve stated objectives at the agency, division, section, work unit, and/or individual levels. While not especially difficult, only a coordinated effort translates agency goals and objectives into specific short-term actions. Using an ongoing evaluation process, management monitors overall performance and provides remedial action where needed.

An action plan specifically outlines activities for a designated period. A useful plan format shows the actions to be accomplished, indicates the responsible parties, provides a targeted completion date, discusses the costs and resources needed for the action, and tracks actual progress. The linkage to strategic goals and objectives should be clear.

This overview has briefly summarized the strategic planning process. The remaining chapters of the section describe in more detail each step of the process. They give the reasons for each step, a set of possible outcomes, directions on how to do it, and sample worksheets that may help in completing the step. Please keep in mind that this handbook is a resource for implementing the performance budgeting process. ***As previously stated, all information is offered as a guide, not a requirement.***





Getting Organized

➡ Purpose of step

Before agency leaders commit to strategic planning, they design a process to fit the agency's purpose, resources, and political environment. The design phase gives the agency a chance to resolve issues like the:

- design of the process and the sequencing of its steps;
- resources available for planning;
- timing of the process;
- overall structure for the process; and,
- participants and their roles.

When these activities are completed, the design team has a draft work plan. Agency management reviews the work plan, makes any changes, and agrees to it. After all the issues are resolved, the results are communicated to all staff. Then everyone knows the reasons for the planning process, how it is going to happen, the role that each person can play in developing the plan, and an expected completion dates. The likelihood for success increases when staff are kept fully informed and engaged in the process.

➡ Possible desired outcomes

- Activities or training to teach staff how to use to use planning and performance techniques
- A communications plan to keep all employees fully informed about plan development and implementation;
- Time table for the planning process;
- A list of the planning steps, their expected duration, and the tasks for each step of the process;
- An organizational structure for carrying out the process
- Agreement on resource requirements



➡ Facilitation suggestions

Depending on an agency's size, one person or a team may complete the preliminary groundwork. Before beginning, the agency head delivers a clear charge to the group and outlines the expectations for the work products.

Preparing employees for the performance budgeting system

A performance budgeting system significantly changes the operating rules. Generally, public agencies are accustomed to a system that mainly focuses on inputs (money and people), process, compliance, and management control. Although it can be restrictive, agency personnel have grown comfortable with it.



Successfully transforming an input-oriented budgeting and performance process into a results-oriented system hinges on effective training.

Personnel throughout the organization need to be trained on the philosophy behind a performance-driven culture and the benefits it offers. People must be shown how the system works and given the tools that build their capability to use it.

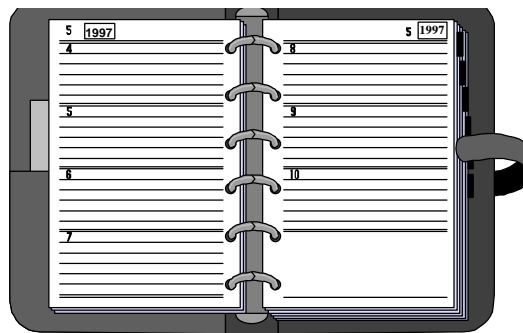
A results-oriented management system is essential. To begin building this environment, offer a session(s) to agency personnel during the preplanning stage that describes the new process. Keeping people informed about what is going on and their role in the activity helps them feel a part of it. By promoting ownership, a transformed culture becomes more likely. This is not the only possibility for training. Other training topics for an agency to consider are:



- Defining and measuring program, process, activity, or function results
- Mapping and improving work processes
- Individual's roles in agency outcomes
- Integration of strategic planning, budgeting, and performance measurement

Another method to prepare employees is to establish a resource center. Essential information and technical assistance aids are placed there. Everyone has access to these references. By creating and encouraging the use of a resource center, the agency conveys to employees that they are a welcomed and a valued part of the performance budgeting process. In addition, it reinforces the notion that each employee plays a part in fulfilling the agency's mission.

Time management of process



The management team discusses how much time could be devoted to the planning process. Time is an important variable influencing process design. Management should be realistic. The process should receive enough time to generate meaningful results. The process

should be tailored to easily fit within the time constraints

Organizers should be mindful of the dynamics of group planning when they allocate time. Difficult issues are likely to surface during the process. Flexibility must be built into the time line to handle unanticipated events. Participants can take advantage of unexpected learning opportunities when the timetable remains realistic and flexible.



Organization of planning process



Operation and management decisions about the process are needed. Frequently, a group, committee, or task force is designated to serve in this capacity. (To make it easier, the handbook will call the group a strategic planning team.) The team may be an existing group, the senior management team, some other type of management group, or a group specifically established for the planning process. While recommendations and suggestions may be made about the group's composition, an agency head has final say about the participants and the group's structure.

Generally, the team's size and membership is consistent with the organization's scope and structure. The need to have adequate representation is balanced against the need to keep the group's size manageable.

The strategic planning team decides the best way to carry out the planning process. (The steps, while typically listed in linear way, do not have to be followed in that order. It is possible to have two or more steps operate in parallel. The organization must keep in mind that strategic planning is cyclical and its effectiveness flows from its repetitious nature.) In addition to overseeing the planning process, the team may establish necessary workgroups; develop or review the mission, goals, and objectives; define the critical issues; develop a plan



for managing those issues; and, examine the implementation costs of the plan.

Possible membership choices for team

The effectiveness of the team is enhanced when members have in-depth knowledge about the agency and its operations, understand the various needs of the constituents and constituents, are willing to serve, and demonstrate an ability to get things done. The agency head and senior management staff nearly always serve on the planning team. In addition the following staff members may add valuable perspectives to the planning process:

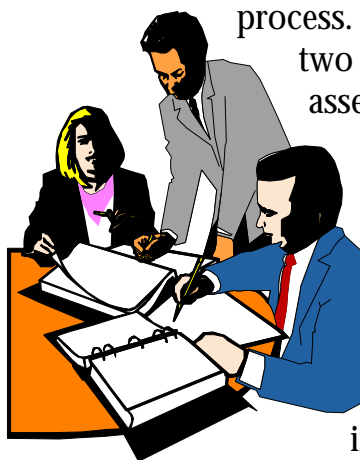
- ⇒ **Program managers, supervisors, and front-line personnel** bring knowledge and insights about programs and their constituents. Generally, these are also the people responsible for making the ideas contained in the plan operational.
- ⇒ **Financial or budget managers** provide an understanding of organizational financing and can offer analysis of the fiscal impact of alternative approaches. They are the ones, working with program staff, who will use the plan to drive budget requests and manage decisions about resource allocations.
- ⇒ **Facility managers** can assist in determining the impact of the plan on any physical facilities that the agency may have. They also should be using the plan as a guide for capital outlay planning.
- ⇒ **Human resource managers** add an understanding of how the plan interfaces with the agency's current workforce and the agency's current human resource policies. Further, their specific expertise helps identify additional staffing needs required for implementation, new or continued training needs to equip current employees to perform successfully, and any necessary changes in organizational structure to support the plan. Ideally, they should be completely aware of how the plan guides overall agency operations and filters down to the individual performance assessment process.
- ⇒ **Information systems managers** must understand the agency's core business activities and its preferred direction for these activities in order to ascertain how information systems can best support the agency's work. The plan is also useful in setting the future direction for agency information systems.



- ⇒ **Planning coordinator** is generally responsible for developing and implementing a workable planning process. This person procures necessary resources to keep the process moving within its established timetable. (This need not be a standing position; however, it is helpful for someone in the agency to be designated to fill this role.)
- ⇒ **Public information personnel** are responsible for developing strategies for communicating the plan internally and externally. Creating a shared sense of purpose is critical. The agency must make the fullest use of this staff to disseminate ongoing information about planning and performance.
- ⇒ **Quality coordinator or the person in charge of any quality efforts that the agency is undertaking.** This person will see that the quality efforts are integrated fully and consistently with the agency plan.

Using workgroups to support process

While the strategic planning team guides and directs the overall process, agencies also benefit from expanding the level of involvement of others. A useful illustration can be made with the internal/external assessment. Successful completion of this step is critical for the entire



process. The strategic planning team can create two workgroups, one to undertake an internal assessment and the other the external.

Membership can be drawn from all segments of the organization. The groups' responsibilities might be as follows:

Internal assessment workgroup:

Examine and report on the agency's internal capabilities for meeting the needs and demands of its constituents and stakeholders. Assess the primary strengths and weaknesses of the agency in fulfilling its essential purpose.

External assessment workgroup: Examine major social, economic, political, and technological trends and issues and their implications



for agency operations. Each trend or issue is evaluated as to its likelihood of occurring, continuing, or further evolving. After the strategic planning team identifies the critical issues facing the agency, it may want assign each issue or a set of issues to additional workgroups. These groups would examine an issue from various perspectives and suggest alternatives for managing it. The strategic planning team would review the reports and makes the final decisions to be included in the plan.

Workplan for process

The final product of this preliminary phase is a work plan. It provides the necessary details to implement the process. Some version of this work plan is shared with agency staff. The work plan lists the members of the strategic planning team, describes the purpose and expected results of the process, outlines the process flow, and communicates the time frame. Sharing this with all employees further underscores the participatory nature of the process. It becomes an initial building block for constructing a shared sense of overall agency purpose.



➔ Sample Worksheets

- Worksheet A: Preplanning exercise for staff
- Worksheet B: Discussion guide about strategic planning for management team
- Worksheet C: Strategic planning team structure: Checklist
- Worksheet D: Direction for planning effort





Recent Accomplishments and Desired Improvements

➡ Purpose of step

A useful starting point in deciding where an agency wants to go is to discuss where the agency has been. This begins by examining the agency's recent accomplishments. A comparison of actual to planned achievements or actions adds another dimension to the dialogue. Discussions centering on how the accomplishments relate to the agency's core business activities or purpose bring more clarity to the picture.



This exercise is an excellent chance for agency personnel to step back and reflect on what happened during the strategic plan's most recent implementation period. Staff analyze how well the strategic plan set the long-term direction for agency operations. The agency should pay particular attention to the degree that the rush of daily activities and periodic crises diverted attention away from the planned actions and identify the causes of this.

Agency leaders seek to maintain a balanced discussion during this step. The agency can expect to have its share of accomplishments, but by the same token there will be disappointments. As both achievements and areas for improvement are reviewed, management should foster a non-threatening atmosphere. A constructive, helpful discourse proves most productive. By telling staff that disappointments are events that offer an opportunity for learning, management supports the move from a control culture to a results-oriented one that values risk-taking, innovation, creativity, and a penchant for excellence.

➡ Possible desired outcomes



- A thorough discussion of agency accomplishments
- Results from key performance measures
- A list of areas for improvement for consideration during the planning exercise
- External factors that affected performance

➞ Facilitation suggestions

This step benefits from a broad collection of input. It is useful for the strategic planning team to obtain the perceptions of a diverse cross section of the agency. The individual vantage points of a variety of groups are likely to expose contrasting positions. The team notes these differences. The strategic planning team tends to assemble a comprehensive list of both accomplishments and areas for improvements by casting a wide net when seeking input. The team may want to devise a structured method for soliciting and compiling employees' ideas on both subjects.

Another source of useful information is the data the agency has on performance. An agency may have several layers of information ranging from the very specific to more general. Part of the annual assessment should be a review of how well the agency met its performance targets for a given year. If the agency issues performance reports, then those should be examined.

The strategic planning team can use the compiled list of accomplishments as a starting point for discussion. The team may want to “brainstorm” to fill in any gaps that it feels exist. When the team has a comprehensive list, it should look at it and identify any patterns or groupings among accomplishments. The team should then discuss the significance of each group while considering the following:

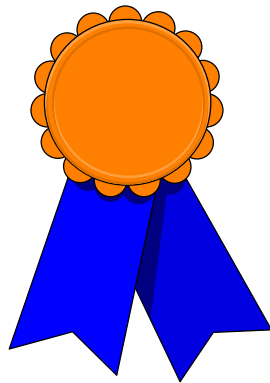
- How does the accomplishment relate to the role and purpose that the agency serves?
- Who benefits from each accomplishment? How does the group benefit?



- What (if any) is the relationship of the accomplishment to the Administration's priorities?

After completing the analysis of the accomplishments, the group records the conclusions for use during the remainder of the planning process.

The team then identifies areas for agency improvement. One method to guide discussion is to have the group compare planned activities (from the previous planning period) with actual accomplishments. Any gaps in performance may provide clues to areas for improvement. After describing an area for improvement, it is useful for the group to visualize how things would look if the area were improved. This mental picture is useful in showing the group how to overcome an internal weakness or turn it into a strength.



➔ Sample worksheets

- Worksheet E: Description of agency accomplishments and areas for improvement

Examples

Accomplishments: The Children's Bureau permanently placed 25 children with adoptive parents during 1997. The Children's Bureau raised \$500,000 to support the construction of a new group home on campus.

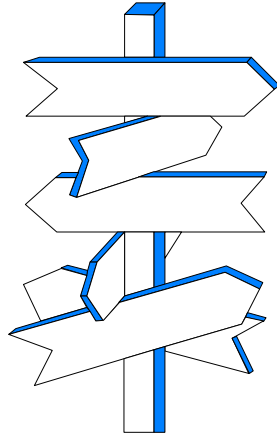
Possible Improvement: The Children's Bureau can increase the buying power of the food budget by 20 percent through participation in a food cooperative.





Clarifying Agency Mandates

➔ Purpose of step



A periodic re-examination of mandates is useful. A mandate is a formal requirement placed on an agency by external entities. Mandates may include laws, ordinances, charters, board policies, regulations, etc. This step helps the agency understand how mandates may constrain what it can do or achieve.

The planning team should examine each mandate from two perspectives: the estimated costs associated with meeting the mandate and the benefits received by clients, constituents, taxpayers, etc. This information can be valuable to the agency and its policy makers in assessing the effectiveness of particular mandates. Periodically each mandate should be critically analyzed in light of current demands, with the intent of identifying any mandates that should be modified or eliminated.

➔ Possible desired outcomes

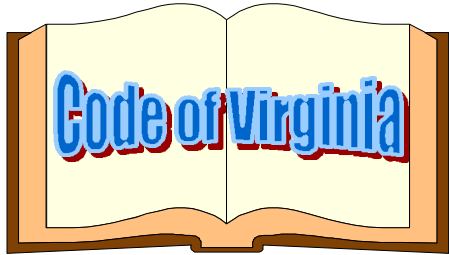
- Identify all formal and informal mandates
- Interpret the mandates' requirements

➔ Facilitation suggestions

A helpful pre-planning activity is to identify and gather all significant agency mandates and list them on a worksheet (see Worksheet F). Distribute the worksheet to team members and/or management staff and ask them to briefly analyze and assess each mandate.



The Federal Mandates Act, Sections 2.1-795 through 2.1-799, Code of Virginia, requires agencies to provide certain information about federal mandates in their budget requests. If this indicates that federal mandates significantly affect the agency's work, then it should be integrated into this general assessment of mandates.



After gathering the mandates and agreeing on them, each is analyzed as to how it affects what the agency does. Ask questions like:

- ⇒ What resources are required to carry out the mandates?
- ⇒ What impact do they have on constituents?
- ⇒ Do they relate directly to our current mission?
- ⇒ Could any be changed, eliminated, or added?

Distribute a worksheet (see Worksheet G) in advance to individuals to write down their ideas and thoughts. This generally facilitates discussions when the group meets.

Agencies that have conducted a comprehensive review of mandates as part of a recent strategic plan may simply identify any recently-enacted modifications or desired changes. If no change has occurred, then this step simply becomes a brief review. Keeping a list of mandates and updating it, as needed, makes this step easier in future years.

➡ Sample worksheets

- Worksheet F: Current List of Mandates
- Worksheet G: Analysis of Mandates



➔ Examples

Mandate	Citation	Recommendation	Estimated Cost of Federal Mandates*
The Children's Bureau provides care to any child who is placed in its care by a court.	Charter Governing Children's Bureau	Continue	
The Children's Bureau does a complete background investigation of all prospective adoptive parents.	Policy of the Board for the Children's Bureau	Continue	
The Children's Bureau is required to file caseload information with the Department of Health and Human Services in Washington, D.C.	HHS regulations, Chapter 726, §23.b	Work with the Virginia Liaison Office to repeal	\$87,000 including one FTE (General Fund)

*Estimate the cost of those federal mandates that will constitute more than five percent of agency budget in FY 98; identify general fund and nongeneral fund amounts separately.

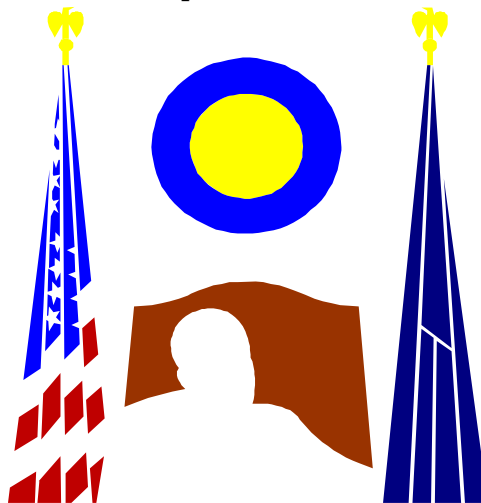




The Administration's Initiatives and Priorities

➡ Purpose of step

Parallel to legislative and other mandates, governors generally have a set of priorities and initiatives that they believe are important to the successful operation of their administration. An agency needs a basic



understanding of an Administration's priorities in order to determine how its programs can lend support. Some agencies will play a key role in implementing an Administration's agenda, while others will play a less direct role. Overall, the intention here is to facilitate a consistent level of awareness among all executive branch agencies. This type of communication heightens an Administration's ability to address its

priorities. In turn, agencies are better positioned to provide a level of support consistent with their role.

➡ Possible desired outcomes

- Ongoing monitoring of the Administration's current and emerging initiatives and priorities
- Description of how agency supports administration initiatives

➡ Facilitation suggestions

The agency should thoroughly examine each key initiative and identify ways in which the agency interfaces with it. An agency playing a primary role in a particular initiative should examine its current performance in relation to that priority. An objective assessment should



attempt to identify any weaknesses in that area. Strategies should be developed to overcome them.

The agency also needs to consider how well it has communicated an administration's priorities to personnel within the agency. Each employee should be aware of the vision and direction that the present Administration has articulated for Virginia and specifically understand how the agency fits into that picture. Additionally, the agency should consider how it plans to monitor and communicate any changing priorities and initiatives. Whenever changes in direction are identified, the agency needs to assess the affect that the change has on its plan and activities. Necessary adjustments need to be made promptly.

➡ Sample worksheet

- Worksheet H: Identifying the agency's relationship to the administration's priorities



Identifying the Needs and Demands of Constituents and Stakeholders

➔ Purpose of step

Successful public agencies strive to effectively satisfy key constituents. Therefore, identifying and prioritizing constituent groups is essential. In addition to knowing who the constituents are, the agency



needs to understand what it is each group of constituents wants from the agency. A useful way to gain insights into constituent expectations is for agency personnel to assume the roles of each particular constituent group. Staff members try to envision the agency through the eyes of that constituent group. By analyzing agency operations through the eyes of constituents, agency personnel gain a new perspective to evaluate agency operations. Previously invisible organizational strengths and weaknesses come to light. Compiling the expectations from each group helps the agency spot overlaps, gaps, contradictions and conflicts among the constituent needs. Looking at its current performance, the agency should be able to recognize potential opportunities and threats. This information will be extremely useful for evaluating the agency mission, identifying critical issues, and developing strategies.



Identifying Constituents and Stakeholders

Public sector planning literature uses the term *stakeholder*. A “stakeholder” is considered any person, group, or organization that can place a claim on the agency’s attention, resources, or services, or is affected by what the agency does or the services it provides. The Government Performance and Results Act at the federal level describes, stakeholders as “organizations, groups, or outside managers with a vested interest in the efficiency of the operations or the success of the organization in delivering effective outputs and maintaining the viability of the program.” Either definition underscores the reality that public agencies must respond to and are influenced by a variety of groups. The degree of influence varies and the agency needs to clearly understand these variances and adopt appropriate responses.

During the past decade a growing interest in customer satisfaction has penetrated each sector of the economy. Public sector agencies have been motivated to more aggressively examine their role in meeting customers’ expectations. This motivation has prompted a preference among public agencies to use the term “customer.” However, agencies are cautioned to exercise care and not exclude any group that may have significant influence on them, simply because it does not meet the strict definition of “customer.” Overlooking such a group could prove to be a strategic error.

Throughout the handbook, the term constituent is used and is intended to be all-inclusive. All key groups that the agency should pay attention to are represented.

To start, the agency generates a comprehensive list of both internal and external constituents and the relative importance of each constituent group. Next, it identifies the expectations that each has of the agency, the level of influence that the group has on the agency, and how well the agency is meeting the group’s needs.

Surveys, interviews, or focus groups are just some of the techniques the agency can use to find out what its constituents expect and how well



the agency is meeting those expectations. Regular feedback from constituent groups is vital.

The agency should exercise care not to lose sight of the fact that its constituents are internal as well as external. The internal constituents are units or persons (employees) in the agency whose work depends upon another unit or person within the same agency. Recognition and understanding of the internal constituent groups and their demands on the agency play an important role in the agency's ability to effectively satisfy its external constituents.

➡ Possible desired outcomes

- List of constituent groups in order of priority
- Expectations of each constituent group
- Information on how each constituent group views the agency's current level of performance
- Discussion of agency performance from the constituents' perspective
- Discussion of how constituent satisfaction is measured

➡ Facilitation suggestions

The team's analysis begins by listing all likely agency constituents. It next determines the relative priority of the constituent groups. Since the priority of constituent groups has significant ramifications for agency operations, a clear understanding of the primary and secondary set of constituents is essential. Agency operations should be consistent with constituent priorities.

Working from the constituent list, the team discusses the specific expectations associated with each constituent group. By assuming a constituent's perspective, the team attempts to evaluate the agency's performance in meeting each constituent's expectation. (Worksheet I and J can be used for this.) This exercise is supplemented with available information from any formal studies, surveys, or other forms of



constituent feedback. The following questions help guide the discussions:

- What demands do particular constituents place on the agency?
- How have the needs or expectations of each group changed over the past two years?
- How has the agency tried to address changing demands and expectations?
- How well has the agency performed in meeting constituent expectations?

At the end of this activity, the team should have an inclusive list of external and internal constituents, their expectations, and an evaluation of how well it appears the agency is meeting the various expectations.

Lastly, the team discusses how the agency currently measures constituent satisfaction. The methodology used is evaluated. Any suggested improvements in the method are made for inclusion in the strategic plan.

➡ Sample worksheet

- Worksheet I: Identification of stakeholders/constituents
- Worksheet J: Analysis of stakeholders/constituents

➡ Examples

Rank	Constituent	Expectation	How Evaluated
1	Orphaned/Abandoned Children	Placement in safe, nurturing environment.	Number of resolved placements; follow-up inspections conducted.
2	Adoptive Parents	Professional counseling about adoptive services.	Adoptive parents complete an comprehensive survey at the end of each adoption activity; agency collects results and makes necessary adjustments.



Mission and Purpose

⇒ Purpose of step

An agency or organization must understand and communicate its identity. The mission is a broad, comprehensive statement defining its organizational purpose or identity. It charts the direction for the agency's actions. It reveals the image the agency seeks to project; reflects the agency's self-concept; indicates the primary services or products it provides; and, identifies the principal constituents that the agency seeks to satisfy. Simply put, the mission conveys the rationale behind the agency's need to exist.

Most agencies have mission statements. While this step does not necessarily suggest that the agency spend time rewriting its mission, it does offer the opportunity to review the statement and determine whether revisions are necessary. Changes in the external and internal organizational environment do influence its identity and direction. Consequently, mission statements will need periodic updating to ensure that they are still meaningful and easily understood by all constituents.

As a final review, an effective mission statement should meet the following criteria:

- It is clear and concise.
- It is understood by a wide audience of the agency's constituents.
- It addresses the agency's mandates.
- It identifies the basic needs and distinct problems that the agency was designed to manage.
- It is realistic.
- It defines whom the agency serves.
- It serves as the foundation for agency direction.
- It acknowledges the expectations of the agency's primary constituents.

The mission that is developed serves as an umbrella for all agency programs and services. Individual programs or units may develop their



own mission statements. However, all individual mission statements must be compatible and congruent with the agency's overall mission.

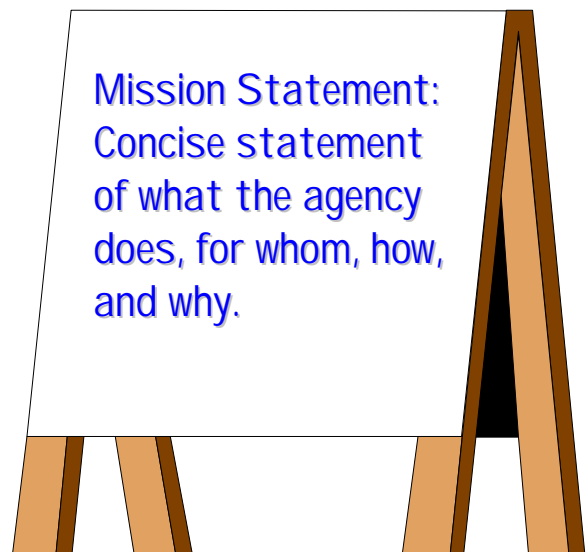
⇒ Possible desired outcomes

- A mission statement that clearly conveys agency purpose.
- A shared understanding of the mission by all levels of agency personnel.

⇒ Facilitation suggestions

The evaluation/review of the mission or the development of a new statement can be divided into the following four components.

1. Describe the original purpose of the agency.
 - ⇒ What functions, products, or services are or should be provided by the agency?
 - ⇒ What mandates does the agency have (especially any defined in the Code of Virginia)?
 - ⇒ Why does the agency exist? What problems or needs is the organization designated to handle?
 - ⇒ Why are public resources allocated to the agency?
2. Look at the agency's constituent groups.
 - ⇒ Who receives the goods and services produced by the agency?
 - ⇒ Are there multiple constituent groups?
 - ⇒ Who are the specific clientele served by the agency?
 - ⇒ What do internal and external constituents need from the agency?
 - ⇒ What results do the constituents expect?
 - ⇒ Does the agency have constituents with competing demands? How does the agency balance them?





3. Identify current needs or distinct issues and problems
 - ⇒ How do current expectations differ from the original purposes for which the agency was created?
 - ⇒ What are the primary needs, issues, or problems that need to be addressed?
 - ⇒ What emerging issues and needs are likely to need addressing in the future?
4. If possible, review the mission statement with employees to determine if the statement is clear and easily understood.

The team can use worksheet K to conduct a mission audit. The audit is designed to evaluate whether or not the mission continues to clearly address the agency's role and purpose. Necessary modifications should be presented to the appropriate body.

Worksheet L is a checklist for the mission statement. The team can use this to verify that the mission statement contains the necessary elements and that communicates to all constituents the agency's purpose.

➡ Sample worksheets

- Worksheet K: Mission audit
- Worksheet L: Mission checklist



➞ Examples

State Revenue Agency

The Anystate Department of Revenue administers and enforces the revenue laws of this state, including all taxes, registration of motor vehicles, licensing of vehicle operators, and regulation of alcoholic beverages in a manner warranting the highest degree of public confidence in our integrity, effectiveness, and fairness.

Library, USA

The library anticipates and responds to the community's needs for information, facilitates lifelong learning, stimulates and nurtures a desire to read in young people, provides reading materials that meet the interests of all ages and enriches the quality of life in our community.

Children's Bureau

The Children's Bureau provides a caring environment for children placed in our care and finds loving parents for each child.



Assessing the Operating Environment: Internally and Externally

➔ Purpose of step

Organizations are compelled by the ever-changing nature of today's world to regularly assess their internal situation and to monitor, analyze, and comprehend external trends and issues. By undertaking this practice, management can gauge conditions both inside and outside of the agency.

An internal/external assessment is a basic management tool. An agency must have an in-depth understanding of itself to have a clear sense of what strengths it has to build upon and what weaknesses it needs to overcome. At the same time, the agency must analyze newly emerging trends, events, and developments that are likely to have a significant impact on the agency. As agencies become competent in monitoring their external environment, they begin to perceive these changes quickly enough to respond effectively.

The internal and external assessments are conducted in a framework known as a SWOT analysis. It is called this because it involves looking at the internal ***Strengths*** and ***Weaknesses*** in conjunction with external ***Opportunities*** and ***Threats***. The information obtained from this exercise helps an organization identify and define the critical issues that it faces. Effective responses to the externally triggered issues are based on an intimate knowledge of an agency's internal capabilities. Issue management builds on an agency's strengths and overcomes or minimizes its weaknesses in order to take advantage of an opportunity or overcome or minimize a threat. This is the essence of strategic planning—finding the best or most advantageous fit between the agency and its environment based on an intimate understanding of both.



➞ Possible desired outcomes

- List of internal strengths and weaknesses along with external opportunities and threats
- Background reports on issues of critical importance
- Constructive discussions relating to the strengths, weaknesses, opportunities and threats as well as their implications
- Specific actions to deal with the threats and weaknesses

➞ Facilitation suggestions

The internal and external assessments should be conducted in a way that helps the agency clearly understand its current situation, and at the same time lay a foundation for identifying critical issues it must address. The assessment procedure is kept as simple as possible while still providing useful information. Participants are likely to find it difficult to perceive the agency in terms of SWOTs and identify strategic responses during early planning cycles. However, with practice the exercise should become easier to complete, as participants become increasingly astute at strategic thinking.

Internal assessment: strengths weaknesses

In earlier steps, the strategic planning team examined aspects of internal agency operations. Specifically, the team looked at recent accomplishments, areas for improvement, performance reports, primary constituents and their specific needs, and the relationship of the agency's duties to Administration priorities and initiatives. Using this information, the internal analysis assesses internal operations in order to determine specific agency strengths and weaknesses. The agency can gain the greatest insights by using a systems perspective. Which means the inquiry would be structured around three broad categories that define a simple systems model: resources or inputs, process (how the work is accomplished), and performance or outputs. An ancillary product of this exercise would be a clarification of the agency's core competencies.



The following is a list of broad categories and associated dimensions from which an agency may want to consider in listing its internal strengths and weaknesses.

Organizational culture

- ⇒ Management styles
- ⇒ Ability to assimilate or embrace change
- ⇒ Decision-making process
- ⇒ Level of commitment and loyalty
- ⇒ Employee satisfaction
- ⇒ Communication patterns and processes

People

- ⇒ Current numbers, allocation, additional
- ⇒ Compensation issues
- ⇒ Knowledge, skills, and abilities
- ⇒ Turnover rate
- ⇒ Differences between what exists and what is needed

Structure

- ⇒ Formal structure
- ⇒ Informal structure
- ⇒ Reporting relationships
- ⇒ Span-of-control
- ⇒ Understanding and acceptance of roles
- ⇒ Differences between what exists and what is needed

Systems and processes

- ⇒ Work planning
- ⇒ Policies and procedures
- ⇒ Performance management system
- ⇒ Control systems

Services and funding

- ⇒ Services currently provided
- ⇒ Identification of mandated services
- ⇒ Funding for services
- ⇒ Recent trends in funding and service levels
- ⇒ Differences between what exists and what is needed

Outcomes

- ⇒ Expected outcomes defined
- ⇒ Measures of effectiveness
- ⇒ Measures of efficiency
- ⇒ Measurement system
- ⇒ Connection to performance

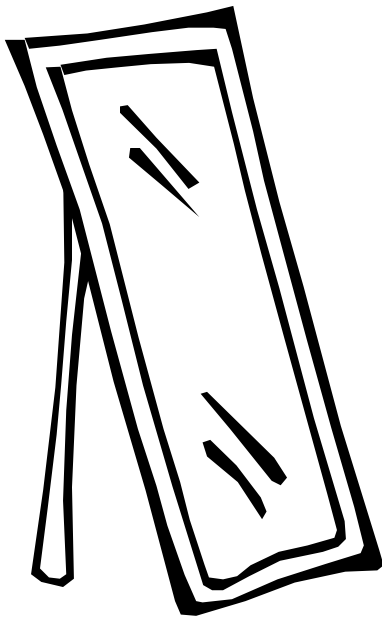
Technology

- ⇒ Current systems
- ⇒ Current needs
- ⇒ State of the art and gaps that need to be addressed



In conducting a comprehensive internal assessment, agency management may wish to direct the preparation of in-depth reports on specific areas of concern. Some possibilities include:

- Establishing a special agency team composed of management, supervisory, and non-supervisory personnel to research the topic and report to the strategic planning team;
- Directing a department or work unit to conduct its own internal assessment and submit a report to the strategic planning team;



- Contracting with an outside group or consultant to assess key programs or functions; or,

- Using a combination of the three approaches. For instance, an outside group assesses the agency's culture, then internal groups complete the remaining elements of the assessment.

The assembled information will guide the strategic planning team in identifying an agency's strengths and weaknesses.

External assessment: opportunities and threats

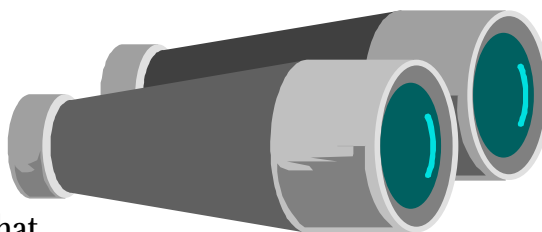
An agency gains the greatest benefit from conducting an external assessment when an ongoing environmental scanning process is in place. An environmental scan analyzes key external elements or forces that influence the environment in which the agency operates. The information generated from scanning identifies trends or issues that are likely to affect the agency. It highlights and describes the implications that each may have on agency operations or activities. A typical scanning effort focuses on



political, economic, social, and technological trends. The categories can be altered or narrowed further, depending upon an individual agency's needs. Worksheet M may be useful in writing up reports on trends or issues that can be used in the external assessment.

If an ongoing scanning process doesn't exist, the strategic planning team may gather, from a variety of experts, information that describes projected trends and likely issues. This information should be compiled into a report and distributed to team members before a formal meeting to generate the opportunities and threats.

External assessment reports are intended to help the agency recognize emerging trends and issues that are likely to affect its operations and identify the opportunities and threats that these external elements present. The team may select any of the following questions to guide it in its analysis of its external environment:



Current situation

- Is the challenge or problem that the agency is designed to address growing or diminishing? What did the trend look like over the past five years?
- What elements of the current environment are relevant to the agency? How?
- What elements are most critical? Which are likely to facilitate or impede the agency?
- Currently, what are the major issues or problems? Are these local, statewide, or national in scope? Why are these issues or problems of such importance?
- What current events or policy issues have captured the attention of the public? How do these affect the agency?
- What external areas is it appropriate for the agency to influence? Why should the agency do this? How should it do this?



Future situation

- What forces are at work that might affect or alter key elements of the environment? Are trends likely to continue or are changes forecast?
- What major issues or problems are anticipated? What effects could they have on the agency?
- What implications do these future forces and environmental changes (trends and issues) hold for the organization? Which is most critical?
- Can anticipated technological advances help the agency better meet the demands of its constituents?
- What are the biggest external threats? Opportunities?

Team members can use Worksheet Q to record the external opportunities. As each item is listed, a brief description is completed in the worksheet's second column. The list of



opportunities is reviewed to determine if any are related and should be combined. A brief discussion about individual opportunities focuses on how each affects the agency. The team will want to consider the likelihood associated with the

opportunity, the ability of the agency to address it, and its expected time horizon. Any of the items on the list that seem unlikely or not feasible should be removed. The team will want to direct its attention toward those opportunities that offer greatest benefits.

After generating a list of opportunities, the team goes through the same process to generate a list of threats on Worksheet R. The list is pared down, as deemed necessary.

The team now more specifically discusses how the agency can potentially take advantage of an opportunity or minimize, turn around, or overcome a threat. The worksheet's third column captures the various options.

After completing the lists of possible opportunities and threats, the team generates worksheets O and P on the internal strengths and weaknesses. It



follows the same process as used for the opportunities and threats. When the lists are finalized, the worksheet's third column is completed.

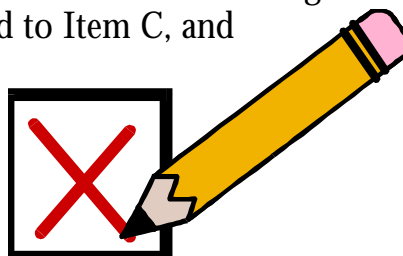
The team now has lists of the strengths, weaknesses, opportunities, and threats. The next task is to decide the priority order for them.

Methods for setting priorities among the SWOTs

Described below are three methods for determining an order of priority for items within a group. The agency may use one of them or any other method that fits its needs.

METHOD ONE: PAIRED COMPARISON

1) Item A is compared to Item B and is deemed to be of greater importance; Item A is then compared to Item C, and Item C is deemed to be of greater importance; Item A is compared to Item D, E, F, etc., then Item B is compared with Items C, D, E, F, etc., then on to Item C, until all possible pairs have been considered.



2) Tally how many times each item has been named most important among the pairings, and rank the items based on frequency.

METHOD TWO: COLORED DOTS

Another method is to write items on a sheet of flipchart paper. Give three to five colored dots to each planning team member. Each color represents a numerical value (for example, red has the value of five and represents the most important issue). Each person places the dots beside the items he or she considers important. The highest valued dot goes with the most important item and the lesser values go with items of lesser importance. When all dots are placed, the resulting visual presentation will demonstrate which items are considered most important by the group, as well as by individual participants. The scores are tabulated and the selected items are listed in priority order.



METHOD THREE: "10-4" TECHNIQUE

Each member of the group receives 10 points to allocate. A member can give no more than four points to any one issue. This effectively forces the participants to make hard choices about what is most important to them. Once members of the group finish allocating their points, the numbers are totaled. The issues are then ordered based on the number of points. The highest point total is the most important issue and so on.

With each of the lists in priority order, the team examines the lists of weaknesses, opportunities, and threats and determines which items should be designated for further consideration. This is to ensure that the number of issues is narrowed to be compatible with agency resource levels.

Sample worksheets

- Worksheet M: Discussion Points in Analyzing External Trends and Issues
- Worksheet N: Internal Assessment Discussion Questions
- Worksheet O: Internal Strengths
- Worksheet P: Internal Weaknesses
- Worksheet Q: External Opportunities
- Worksheet R: External Threats



➡ Examples

SWOT Analysis for the Children's Bureau

Strengths	Weaknesses	Opportunities	Threats
Excellent staff to child ratio	Have to turn away some children due to lack of space	Increased interest in adoption	Potential reduction in Medicaid funding
New facility	Training opportunities are limited because of difficulty in finding affordable instructors	Increase in number of persons wanting to do volunteer work	Unscrupulous adoption agencies are causing many to question all agencies
Large endowment	Public relations function has not been as effective as agency needs	Celebrity is interested in doing a national campaign on the importance of adoption	





Identification of Core Business Activities

➔ Purpose of the step

Public entities exist because they fulfill a need the citizens are willing to finance. An agency must know and clearly understand its core business activities or processes--those generally cross-functional processes that produce the agency's primary products, services, or support their production. To illustrate this concept, consider the U. S. Internal Revenue Service (IRS). When the IRS underwent a planning process it determined that it has five core business activities: Managing Accounts, Informing and Educating, Ensuring Compliance, Resourcing, and Value Tracking. The first three are directly related to the external constituents and the last two are support activities for the first three. These core activities encompass nearly everything the agency does.

When an agency defines and discusses its core business activities, it clearly communicates to everyone what its business is. The agency begins to talk about the outcomes that each activity is expected to deliver. It emphasizes the cross-functional nature of most of the agency's work and fuels organizational energy by identifying overarching themes. It prompts the agency to see the systems nature of its work.

➔ Possible desired outcomes

- Priority listing of agency's core business activities.
- An understanding of how support activities mesh with primary activities.

➔ Facilitation suggestions

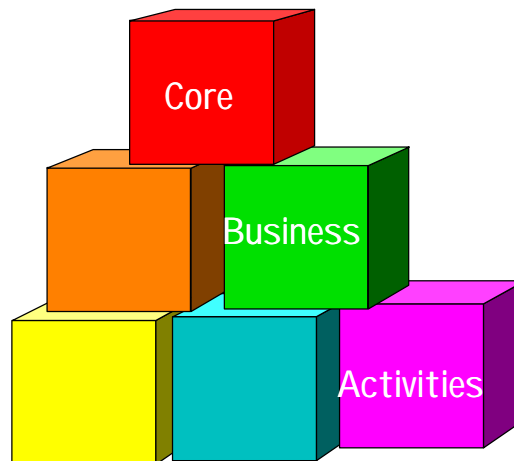
The strategic planning team defines the primary components of the agency's work. The team may begin this by reviewing the conclusions from the evaluation of mandates, recent accomplishments, constituent analysis,



and the external/internal assessments. Using a brainstorming process, the team identifies major work processes. The team lists each major work process on a separate sheet of paper. Then, the sheets are posted on the wall.

Keep in mind that the definition of the core business activities should be from an organizational perspective. Some core activities may be large enough that the agency needs to break them into subcomponents. However, the agency should maintain the broadest focus possible.

When the team has a list that covers the primary aspects of the agency's work, the group reviews the processes posted on the wall. Any processes that seem to be related are identified and grouped together. The team then analyzes those related processes to determine if they are subcomponents of a larger process. If they are, the team designates the broader process and places the components underneath it. The team continues to group processes until it has a list of those that are central to the agency's purpose.



Next, the team critically looks at each core business process and the smaller processes that come under it. The objective of this step is to clearly define the important subcomponents and how they feed one into the other to form a core business process. The team may want to use the following questions to guide the analysis:

- Who are the constituents for the output of each of the supporting processes as well as the core business process?
- How does this core process relate to agency mandates, constituent needs, Administration priorities, and initiatives?
- Have the boundaries of this core process spread beyond its original ones? Is the agency diluting the purpose of the core process through by expanding into other areas?



- Is the agency clear about the expected overall results of each core process?

An agency team should end up with a list of the core business processes for itself, an understanding of the subprocesses of each core process, and, specific results produced by each core process. An important result is the recognition of any form of “mission creep.” Mission creep refers to any expansion of the agency’s activities, programs, functions or processes beyond their originally intended boundaries. Often mature agencies experience some degree of expanded boundaries. In order to avoid unnecessarily weakening the concentration of resources, the agency needs to exercise diligence in seeing that it is minimized. Any unnecessary over-extension of the agency’s intended reach should be identified and actions taken to reduce or eliminate it.

➔ Examples

Critical business activities for the Children's Bureau in priority order:

- Residential Services
- Client Health Services
- Placement Services
- Post-placement services





Identifying Critical Issues

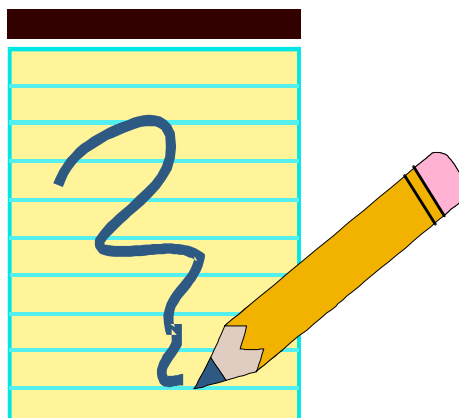
➔ Purpose of step

By now, the planning team has a shared understanding of the agency's current situation, internally and externally. Its focus shifts from a "here and now" perspective to a more future-oriented one. It uses the conclusions of the SWOT analysis to identify issues critical to the agency's future, ones that must be addressed so the agency can carry out its mission.

A critical or *strategic* issue is generally framed as a challenge *about which the agency has influence*. It can be described as a fundamental policy question or important challenge that affects the agency's:

- mandates, mission and culture;
- product or service level mix;
- clients, users, or payers; or
- costs, financing, organizational structure, or management.

An agency can experience negative consequences, if it fails to effectively manage its critical issues.



Generally, a critical issue involves some type of conflict. The conflict most frequently centers around elements such as:

- what will be done;
- why will it be done;
- how will it be done;
- when it will be done;
- where it will be done;
- who will do it; and
- who will be favored or disadvantageded by it.

Because a critical or strategic issue can significantly affect the agency's capabilities and direction, it demands extensive analysis. An agency must



develop a precise statement of the issue that captures the essence of the situation by describing what it is, why it is important, how the agency knows it's an issue, and the likely consequences of ignoring it. This statement is vital for developing strategies to manage it.

While identifying issues can be contentious, the level of tension it produces may very well fuel change. The balance rests with generating enough pressure to get action while not so strong as to induce paralysis. An effective planning exercise should focus decision makers' attention on the most strategic issues.

➡ Possible desired outcomes

- List of critical or strategic issues facing an agency.
- Fully developed issue statements.
- Understanding of the priority or relative importance of each issue.

➡ Facilitation suggestions

Generate list of issues

Generally, when the strategic planning team discusses the agency's strengths, weaknesses, opportunities, and threats, the debate reveals some potential issues. The team should begin a list of these issues.

One way to list the issues is to give team members Worksheet S and ask them to write down about five to nine issues. Team members should have enough time to thoughtfully reexamine the internal and external factors affecting the agency (anywhere from overnight to a week is acceptable). Team members should realize that identifying strategic issues is a real art and it cannot be forced. Leaders should draw on team members' best insights during discussions.

An alternative method is to use a "snow card" technique (see directions in tools section.) White index cards generally serve as the snow cards. Team members brainstorm and list as many strategic issues as he or she can by



answering the question--“What is the issue?” Each person chooses the most important five to seven issues. They transfer the selected issues to snow cards and the cards are clustered in issue categories. As a group (or subgroups) they answer these questions: What factors make it a strategic issue? And, What are the consequences of not addressing it?

The leader collects and compiles the individual sheets. Each issue is listed on a comprehensive team Worksheet T. (The team may list each issue on



one sheet of flipchart paper and post them around the room to better facilitate the discussion. Similar

issues are grouped together or recast in a different form on a new sheet of paper.)

Team members review the master list and search for any that overlap and could be merged. They revise the master list. (The strategic planning team is reminded that the task is to identify *issues*—not solutions. *The urge to jump from problem directly to solution is great, but failure to fully analyze and develop an understanding of the issues can lead to inappropriate conclusions.*)

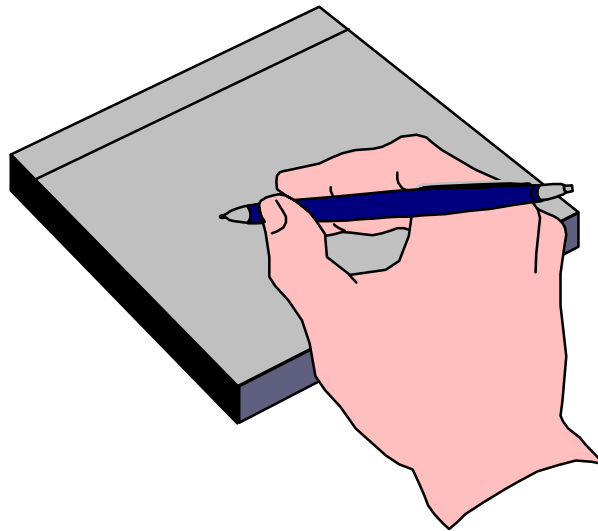
Develop issue statements

The team should have ample time to study an issue and clearly describe it. One way to do this is by developing an *issue statement*. An issue statement is simply a one-page analysis consisting of three pieces: a concise statement of the issue, the factors that make it a fundamental challenge, and the likely consequences of failing to address it. The team may compose the issue



statements as a group or assign specific issues to subgroups. Worksheet U provides a format for an issue statement. One worksheet is completed for each issue.

A good starting point is to frame the issue in the form of a question that the agency can act upon. This compels the agency to realistically consider its capacity to influence or shape the issue's direction. If, after adequate debate, the team concludes that it's ability to influence the issue is minimal, then it deletes that issue. (Strategic thinking focuses an agency's attention on those actions that are central to its ability to fulfill its mission and purpose. Knowing the level of control an agency may have over an issue helps it decide which issues to pursue and how much time to devote to them.) All issues should be concisely stated in the form of a question.



Next, the team identifies the factors that make the issue a fundamental challenge (or critical). The factors may include opportunities or strengths upon which the agency can build, or weaknesses or threats that should be overcome or minimized. Understanding these factors also helps find ways to manage an issue.

Lastly, the issue statement discusses the likely consequences of failing to address an issue. This helps an agency distinguish each issue's level of importance. Therefore, Any issues with significant consequences are unquestionably critical and cannot be ignored; while, conversely any issues that pose no harm if ignored are not critical.

The strategic planning team reviews the issue statements and decides their priority for agency attention. An agency can easily be drawn into spending significant amounts of time on issues that seem important or urgent, but when examined closely offer no strategic benefits. A team



lessens this possibility when it analyzes the strategic significance of each issue.

The team has a set of issue statements and can use Worksheet V to screen each issue and distinguish operational issues from the strategic ones. No absolute line exists between the two types of issues; however, some characteristics are more likely to be associated with one as opposed to the other. Gray areas will surface and the final decision about the placement of an issue belongs to the agency leadership.



After the operational issues are winnowed out, the team reexamines those remaining on the master list. (Keep in mind that framing issues in the most useful way is an art. Time and practice help an agency build its competence in this area.) While looking at the remaining issues, it is helpful to recheck the issue

statement to ensure that it answers the following questions:

- What is the issue, conflict, or dilemma?
- Why is it an issue?
- Who says it is an issue?
- What would be the consequences of not doing something about it?
- Can the agency do something about it?
- Should issues be broken down into two or more issues?
- Are any significant issues not included in this list?

Satisfied that each issue is appropriately framed, the team sets the priorities.

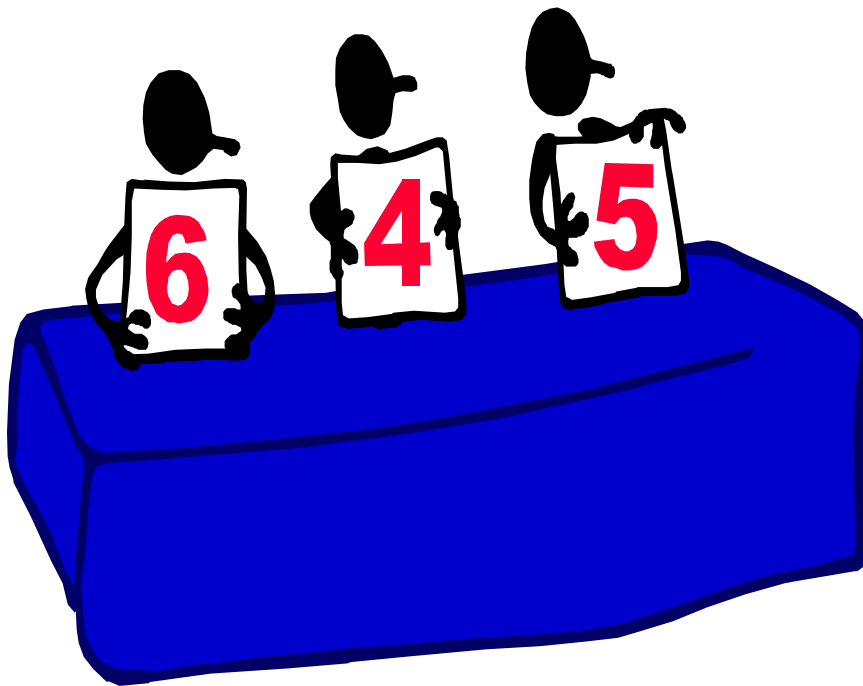
Ranking issues in order of importance

An agency must have an understanding of not only what the critical issues are, but also their relative importance. On page 63 of the chapter “Assessing the Current Situation: Internally and Externally” three methods are described for setting priorities. The team may choose from “paired comparisons,” “dot exercise,” the “10-4 technique,” or any other method



the group finds effective. The list of issues is then placed in priority order with the most important at the top.

The team reviews the priority rankings. The rankings are discussed and changes are made based on the group's consensus about any of the issues. Teams usually decide that some rearrangement is necessary.



When the final priorities are set, the team discusses how many of the issues it can feasibly tackle within the current planning horizon. The group considers factors like staffing levels, funding,

barriers to implementation, time requirements, political climate, etc. in narrowing the list. Through consensus, the team decides which issues to address.

For each of the remaining issues, an issue statement should be put into final format. Worksheet W can again be used to develop the final statement. It should clarify the points of conflict or tension by answering the following questions:

- What is the issue?
- Why is this an issue?
- How does it relate to the agency's mission, mandates, internal strengths and weaknesses, or external opportunities and threats?
- What happens if the agency ignores the issue?



The strategic planning team has a precise description of each critical issue facing the agency. These final issue statements are used in the next step as the strategic planning team determines how the agency will manage each issue.



⇒ Sample worksheets

- Worksheet S: Individual critical issue description
- Worksheet T: Master list of important issues
- Worksheet U: Developing issue statements for master list issues
- Worksheet V: Is this strategic or operational?
- Worksheet W: Final issue statements for priority concerns



⇒ Examples

Critical issues facing the Children's Bureau

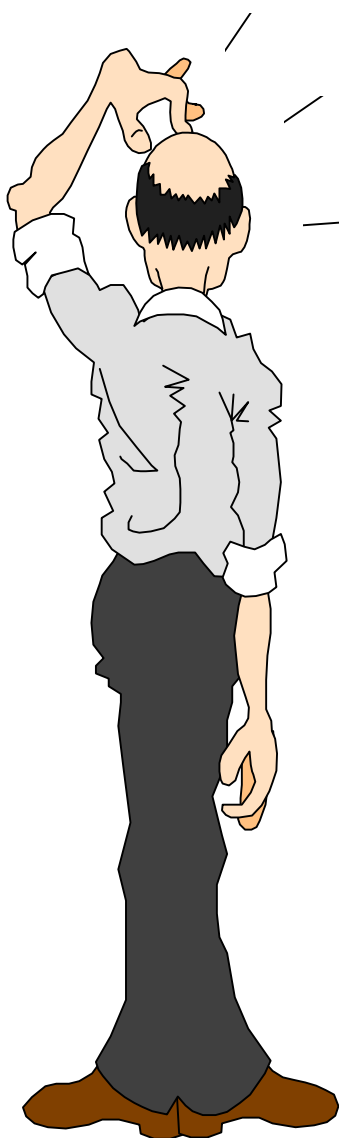
- The Bureau's facility is located on a large parcel of land. Development around the facility has made the land very valuable and an objective for commercial developers. The Bureau's location is convenient and close to a variety of support services. The Bureau must analyze this situation and determine the costs and benefits of accepting or rejecting offers to sell and relocate.
- A prominent foundation has announced a new grant opportunity. Multi-year funding is being offered to support programs that successfully place minority children with adoptive parents. The Bureau has been successful in increasing its minority placements over the past three years and additional funding would help expand this effort.
- The number of abandoned children with serious illnesses has increased. A business-as-usual approach may put the agency at risk of not being able to adequately care for these children.



Deciding How to Manage the Critical Issues

➔ Purpose of step

Deciding how to manage the agency's critical issues draws on the its ability to think strategically. Strategic thinking centers on the capability to effectively see an issue, understand why it is important, ascertain how it is most likely to affect the organization, and see a range of possible responses. The agency uses these skills to analyze each issue and decide how the agency can most effectively manage it.



The strategic planning team must thoughtfully consider alternative solutions. Frequently, organizations move quickly from issues to the adoption of solutions, latching onto the first solution that comes to mind. If the agency expects the strategic planning process to develop better solutions by looking at an array of potential responses, it should not rush from issue to a solution. This denies the agency the chance to build its strategic thinking skills. While initially difficult, through repeated use, the agency will build strong strategic thinking skills that bring long-term dividends.

Visualizing success

Using the issue statements, the strategic planning team imagines how things would look if the agency managed the issue in the best possible way. When fully developed, this picture becomes

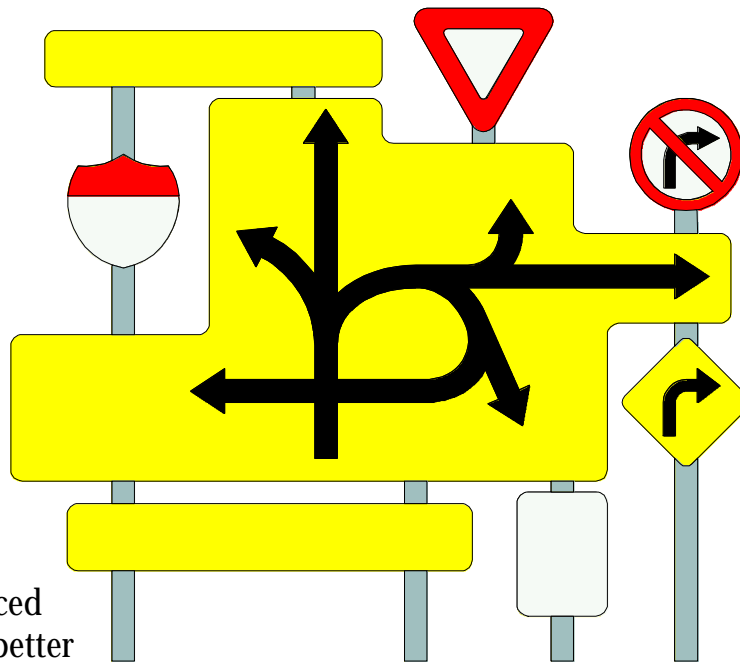


the basis for formulating issue-specific goals. Collectively, these goals show where an agency is headed. After the team has a clear set of goals, it then conceptualizes how it can achieve them

Strategic Formulation

The strategic planning term for generating and looking at a set of viable alternatives is *strategic formulation*.

It is a freewheeling creative dialogue involving a high degree of give and take. Participants build on the ideas and suggestions of one another. The range of possibilities is limited only by the group's creativity. The synergy produced leads to an overall better solution.



Finding viable solutions or responses to critical issues takes a thorough understanding of the issue, the challenges it presents to the agency, and the advantages and disadvantages of the alternatives. While the team looks at each alternative, it should look for any potential barriers to implementing the solution. A healthy debate about the effort required to surmount a barrier can possibly uncover likely implementation problems. This gives the agency the chance to decide if it wants to overcome the barrier or to abandon that alternative. Awareness of the realities before committing to action can save the agency a great deal of time, resources, and frustration. After exploring its options, the team chooses one to include in the agency's strategic plan.



➡ Possible desired outcomes

- A set of goals
- Evaluation and selection of options to manage critical issues

➡ Facilitation suggestions

This step has two principal outcomes, a set of goals and an evaluation of options for achieving them. The final issue statements from the preceding step are the starting point. A team can develop the goals and look at options in several ways. The unique needs of the agency should drive the approach's design. Any approach should make full use of an agency's range of talents. Issues that cross functions, activities, processes, or programs, are most effectively handled by a group of representatives from each area who bring their expertise and knowledge about the issue to the table. One



effective approach has senior management primarily involved in setting the goals and teams from lower organizational levels developing and assessing alternatives for achieving the goals.

Goal development

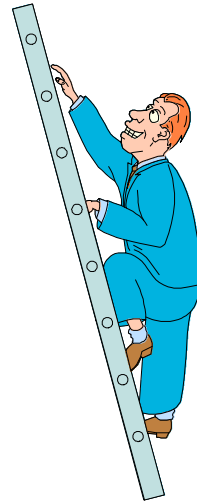
An agency has several options for developing goals. Three possibilities include using the strategic planning team as a single group, creating subgroups of the team, or using the senior management team. The number of critical issues affects an agency's choice of an approach. To make effective use of everyone's time, it generally works best to create small workgroups and assign each group one or two issues. The final issue statements are distributed to the appropriate groups.

Organizational goals set strategic direction at the agency level. They channel the agency's actions in a clearly defined way. They are detailed enough to guide, but not so specific that they hamper innovation and



creativity. They should not be a restatement of the agency's mission, nor reflect "business as usual."

The group is using a six-year planning horizon and begins by reviewing the issue statement. A brief review ensures that the group has a common understand of it. Members get Worksheet X with the issue described at the top. Members think about the issue for a few minutes and then describe how things would look if the agency managed it most effectively. Members should focus on the end state. Now is not the time to get bogged down with solutions, barriers, and problems.



Each member tries to visualize his/her notion of success and capture the picture on the worksheet. In some instances, members may actually want to draw a picture to illustrate their idea. Visual expressions are encouraged because they tend to spark additional ideas or trigger others' creative juices.

Members share their ideas and someone records them on a flip chart. The group looks at the responses, identifies themes or similarities, and talks about differences. Then, they synthesize the answers into a coherent goal statement(s) that everyone agrees to.

When the group develops a goal statement, it should remember:

- Goal statements should be challenging, yet realistic in terms of what the agency reasonably expects to accomplish.
- Goals address priorities and the results of the internal/external assessment by addressing the management of critical issues.
- Goals collectively should provide enough detail to guide operating decisions, yet be flexible enough to generate creativity and innovation.
- Goals should not conflict with one another.
- Goals should be written in clear, simple language, which can be easily understood by all agency employees as well as the general public.



- Goals statements should be brief and to the point. One or two sentences are generally adequate. In some cases, the agency may need longer goal statements, but short direct ones are usually best.

These bullets are reproduced in Exhibit A. Each member can get a copy or it can be enlarged to poster-size and tacked on the wall.

The group may use any or all of the following questions to facilitate the goal development process:

- Does the goal address critical issues confronting the agency?
- Do the goals chart a clear course for the agency?
- Is the goal consistent with the agency's mission and mandates, and any further guidance from leadership in the executive branch?
- Does the goal reflect the core business activities and strategic direction for the agency?
- Is the goal realistic, achievable, and challenging?

Each subgroup presents its goals to the strategic planning team or the senior management team for review and approval. This review checks for consistency among the goals and eliminates any existing conflicts. When satisfied, senior management chooses the goals that establish its desired direction for the agency.

Analyzing options

An agency needs enough time to adequately assess alternatives and build a strong foundation to support implementation. Each issue's complexity affects the amount of time needed. Because the issues are ranked in importance, these priorities can guide the division of available time.

Small groups work well for examining alternatives. One option is to use the same groups that developed goals. While this is fine, strategy formulation does present an opportunity to tap the expertise of staff from within the organization and expand participation in the planning process. Using those closest to the issue to look at options draws from their insights and simultaneously builds commitment that will be valuable for implementation.

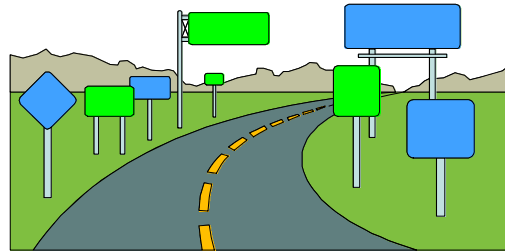


The strategic planning team creates separate worksheets for each issue. It describes the issue and its goal or goals. Each team gets the worksheet for its issue. The groups work in parallel and report their findings to the strategic planning team.

Each member of the group receives a copy of Worksheet Y. They review the issue and goal statement and then are given time to jot down some answers to the questions. After completing the worksheet, the group goes through an exercise guided by the following questions:

- ➡ *What practical alternatives might be pursued to address this critical issue and manage it effectively?*

The snow card technique (described in the tools section) may be very useful to generate alternatives and sort through them. This technique encourages each



member of the group to suggest creative responses. The agency's capacity to successfully manage its critical grows when innovative ideas are solicited and discussed. Any other technique that sparks the group's ingenuity and resourcefulness may be substituted for the snow card technique.

During this discussion, no artificial boundaries should hamper the generation of ideas. The more varied the alternatives, the greater the likelihood of discovering a supportable, doable, practical strategy.

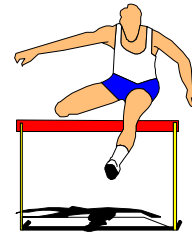
The responses of each group member are posted. The group determines how they will be grouped or categorized. Similar ideas are merged, as necessary. The group should have a list of possible alternatives that it can further analyze.



Looking at its list of possible alternatives, the group considers:

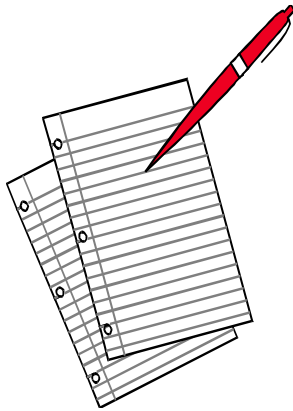
- *What barriers are there to implementing or being successful with a given alternative?*

The group identifies anything that could prevent or hinder implementing an alternative. The objective is to identify early on foreseeable problems. Because removing barriers can be costly, anticipating them and estimating their costs is an important variable when deciding which option to implement.



The group thinks about each possible alternative and any its potential barriers while answering this:

- *What alternatives should be developed and presented to the strategic planning team? How will any potential barriers associated with that alternative be minimized or overcome?*



The group wants the most practical alternatives. It further refines its descriptions and list of problems for the options under consideration.

The group reviews the list and removes any that have high costs or are unacceptable by either senior management or key stakeholders. The group discusses the remaining alternatives and narrows the list to the two or three most feasible. It develops descriptions for these alternatives with enough detail for agency management to judge its efficacy.

Refining possible alternatives into useful strategy statements draws heavily on the experience and expertise of group members. Members with in-depth knowledge about the issue can describe broad, long-term methods for reaching a goal. The following list suggests elements that the group may choose to cover in a description of a feasible options (the group records this on Worksheet Z).

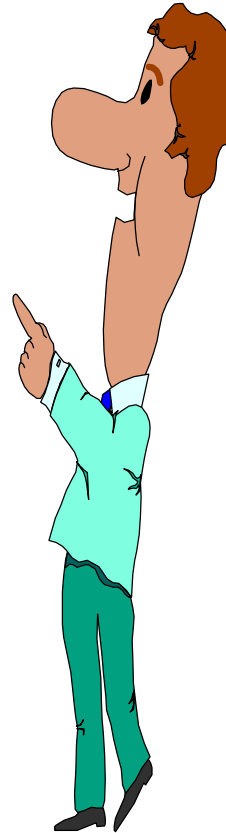
- Principle components or features of the alternative



- Intended results or outcomes
- Implementation timetable
- Groups and persons responsible for implementation
- Resources required and costs
- Estimated savings, if any, over the current approach
- Effects on other organizations, departments, persons, or communities
- Rule, policy, or statutory changes required
- Procedures for monitoring the strategy in order to make midcourse corrections and to evaluate the strategy to see if it worked or determine what factors prevented success

Before the strategic planning team reviews alternative options, it should develop criteria to assess them. The team leader briefs the members on the criteria's intent and how to use it.

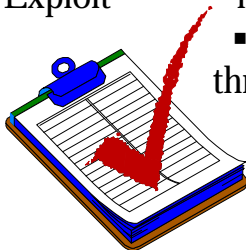
The following is a list of typical factors to use to decide among options:



Suitability: Does the option make sense in light of likely trends, the agency's mission and purpose, and organizational change?

Does the option:

- Exploit internal and external environmental opportunities?
- Defend against internal and external environmental threats?
- Correct organizational shortcomings?
- Strengthen organizational assets/capabilities?
- Establish relevance to the issue?



Validity: Is the option based on realistic assumptions?

Is the option based on:

- High-confidence assumptions that are backed by hard data?

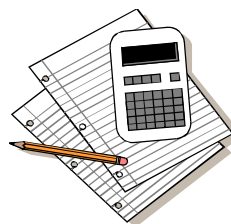


- Assumptions that are reasonable extrapolations of past trends and events and futuristic projections?

Feasibility: Does the agency have or can it acquire the skills, resources, and commitment required to pursue a given option?

Does the organization have sufficient:

- Financial and physical support?
- Information and technological support?
- Human resource support and skills?
- Commitment among primary constituents?
- Political support?
- Acceptance by the general public?
- Cost information?
- Facilities to accommodate implementation?
- Training resources?



Consistency: Is the option consistent?

Does the option:

- Suggest operational elements that can be implemented together in a coordinated and effective manner?
- Reflect the agency's stated mission, goals, and preferred direction?
- Complement other agency strategies?

Vulnerability: What are the risks of implementing this option? What contingency plans have you identified?

Does the option:

- Include risks that the organization cannot affect?
- Potentially cost far more than is reasonable?
- Lend itself to potential gains that outweigh the risks?
- Demonstrate cost effectiveness?

Timing: When must the agency act and when will it receive tangible benefits from pursuit of an option?

- Will the option show short-term results?
- Will it have a long-term benefit?
- Can it be implemented within the next six years?



Adaptability: Does the option significantly limit or enhance the agency's flexibility to fulfill its mission and achieve its vision?

Can the option:

- Be revised in the future in response to changing circumstances without major costs?
- Be applied to a variety of conditions?



Usability: Can the agency readily implement the option?

- Are the resources available?
- Is the option specific enough to be implemented?
- Are training needs specified?
- Are staff levels adequate to implement?
- Can a wide range of agency constituents and constituents understand it?

The strategic planning team evaluates the alternatives developed to manage each critical issue. The team selects the alternative it judges to be the best to handle each critical issue. A final option statement is developed for each of the selected alternatives. Worksheet Z provides a format for this statement. The strategic planning team in the next step uses the completed statements to develop the objectives and strategies for the strategic plan.

➡ Sample worksheets

- Worksheet X: Visualize successfully managing a critical issue
- Worksheet Y: Identifying potential options
- Worksheet Z: Option statement
- Exhibit A: Guidelines for goal statements
- Exhibit B: Analyzing options--discussion questions



➔ Examples

Goal statements for Meridian, Mississippi

- To create a clean, healthy, and attractive environment, minimizing pollution, litter, and physical deterioration while instilling community pride.
- To have one of the best overall educational systems in the United States; one that offers high quality educational opportunities to citizens of all ages.

Goals statements for Utah

- Utah's public education system will be accountable and permit students to advance by demonstrating competency and mastery of skills.
- Utahns will assure clean and sufficient statewide water supplies to protect public health and preserve beneficial water uses through conservation, development, and pollution control.





The Strategic Plan

➔ Purpose of the step

Complete remaining elements for strategic plan

The goal statements, developed in the preceding step, establish a general framework for the strategic plan. They describe where the agency wants to go and how it wants to look when it gets there. They focus the agency's actions toward clearly defined purposes.

The option statements, formulated for each goal, describe an agency's best alternatives for reaching those goals. They translate into objectives and strategies that lead an agency in its preferred direction.

Objectives define specific results that will show movement toward a goal. They are time-bound and set quantifiable or verifiable accomplishments or outcomes. Objectives give an agency a way to track its progress toward implementing a strategic plan.



Strategies describe the actions that an agency takes to manage a fundamental challenge. An agency pursues a strategy to attain its objectives and move closer to its goals.

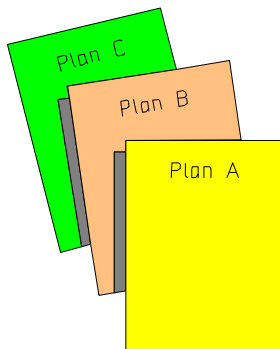
The series of goals, objectives, and strategies gives the agency an important tool for managing its resources. Collectively, they communicate what is important to an agency. To effectively pursue these priorities, the agency must ensure that its resource allocations are supportive of, in agreement with, and guided by its strategic plan. Agency actions that are not supportive of goal attainment are difficult to justify and should be hard to fund.



The Strategic Plan

A formal, well-written strategic plan brings together a range of information collected throughout the process and makes it readily available to everyone in the agency. Generally, it is more than a collection of goal, objective, and strategy statements. The plan operates as an important management tool since it lays out a panoramic, long-term agencywide view. It conveys an agency's priorities for the six-year planning horizon. It presents an easily understood, concise statement of strategic direction that contains enough detail to guide both long-term decision-making and short-term day-to-day operations.

A formal plan gives every employee an understanding of the agency's direction, the rationale behind it, and an outline of how the agency will get there. It tells what is fundamentally important. Based on this understanding, organizational units determine how their work supports the



plan. Smaller segments of the agency have the responsibility to translate the broad, aggregate agency view into daily operations. An agency's ability to reach its goals depends on its ability to build this linkage. The worth of a plan is tied to its role in agency management, guiding discussions, and influencing decisions within the entire agency.

When an agency constructs its plan, it uncovers issues that it must handle to appropriately link the strategic plan to agency operations. When it discusses these issues and clearly decides how the relationships will operate, it increases the likelihood that those who develop and implement the yearly action plan succeed. An action plan describes what must occur, who must do it, and when it must be completed. It translates strategic actions into a yearly implementation plan.

When the agency finishes a strategic plan, its thoughts should immediately turn to implementation. An agency has some important tools it can use to execute its plan. One of the most powerful is budget development. Its budgeting process *should* **follow** its strategic thinking and act as a tool to support strategic actions. An agency budget should reflect its



strategic direction. Budgets crafted in the absence of strategic thought may not support the mission, mandates, needs of key constituents effectively; and critical issues may not be addressed or managed sensibly.

➔ Possible desired outcomes

- Objectives linked to specific goals
- Description of strategies for achieving objectives that move agency toward its goals
- Preparation of a strategic plan
- Assessment of resource requirements for implementing the plan

➔ Facilitation suggestions

An agency decides how it will develop the strategic plan's objectives, and strategies. The preceding step suggested that the agency assign the issues along with the corresponding goals to small groups. Each one looked at alternative approaches for managing the issue, evaluated the alternatives, and made a recommendation to the strategic planning team on the best one for the agency to follow. The strategic planning team may choose to use the same small groups again, add additional members to the original groups, or set up entirely new ones. The size and scope of an issue or goal may dictate multiple groups during this phase. However the agency decides to do it, personnel with expertise and experience in the issue should develop the objectives and strategies. This puts them in a position to provide leadership during implementation, since they will understand the rationale behind these elements.

Before groups meet, their members receive the goals and options statements assigned to them. At the first meeting, the group briefly reviews the issue, the goal, and the recommended alternative. This puts everyone on a common footing.

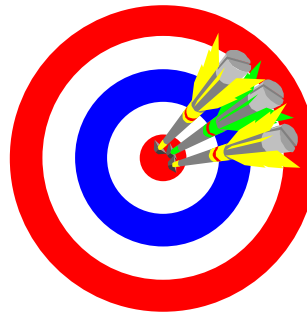
(Note: An agency should remember that strategic planning is a dynamic process. While the elements are presented sequentially, they are interrelated. Throughout the process, an agency should assess and reassess the relationships. Any conflicts or inconsistencies should be resolved. As a final



check, an agency should review the goals, objectives, and strategies to verify that the relationships are logical.)

Objectives

While goals furnish a broad picture of agency direction, the objectives become the mileposts on the road there. They are action-oriented and results-focused. An agency uses them to monitor progress toward its goals, in managing its challenges, fulfilling its mission, and meeting the public's expectations. Effective objectives are SMART. SMART is an acronym for the common characteristics of attainable objectives. Specifically they are:



- **Specific.** Objectives reflect the accomplishments to be achieved, but do not prescribe a method to reach them. They are action-oriented, specific enough to give clear direction, and easily understood by both agency staff and the public.
- **Measurable.** Objectives must be either quantifiable (“The percentage of Task A completed on time will be increased from 65 percent to 70 percent”) or verifiable (A study will be completed by December 31, 1999”). The organization must be able to monitor its success in achieving each objective.
- **Aggressive, but attainable.** Objectives must be challenging yet attainable. Targets should be realistic. For example, it may be reasonable for a health department to adopt an objective of *reducing* infant mortality by a measurable amount; however, it may not be realistic to promise to *eliminate* it.
- **Results-oriented.** Objectives focus on desired outcomes, not on methods to achieve them. To illustrate, a game department may have an objective to reduce the number of hunting accidents by a given percentage within a specific time frame. Possible strategies may be to impose requirements for hunters to wear blaze orange, to provide



hunter safety education, or a combination of the two. (Clearly defined results are a must for accountability. Clearly stating outcomes here, expedites the performance measurement process.)

- **Time-bound.** Since objectives become milestones to monitor progress toward a goal, specifying completion dates is important. A time frame should be reasonable, yet aggressive. Wherever possible, an agency should place interim milestones so it can track progress. The effectiveness of the methods for achieving an objective should be checked as early and as frequently as possible.

Exhibit B contains this list of common characteristics. Group members should get copies or it can be enlarged into a poster and displayed during deliberations.

Members get Worksheet AA with the issue, goal, and options statement filled in. They suggest reasonable targets or milestones for the agency's actions. They share and talk about them. The following questions may help with the group's discussion:

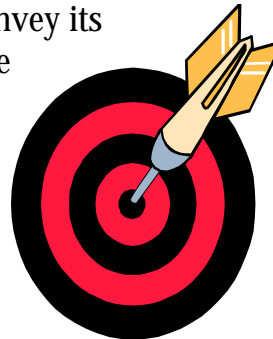
- How is the agency currently performing? What reasonable improvements are possible?
- What specific outcome can be achieved? Is this realistic?
- What variables or factors may influence the outcome?
- Are any specific achievements already mandated by externally?
- Are the proposed results consistent with administrative, legislative, and agency policies, values, and priorities?



- What is a reasonable time frame for getting this result or outcome?
- How critical is immediate action? What are the opportunities for acting now versus later? What are consequences of action now versus later, or for delaying action until a later time?

During the discussion, similar ideas are combined and unrealistic ones eliminated. The group evaluates the narrowed list for reasonability and feasibility. Along with this, the group thinks about timing. The group drafts objective statements and strives to make them clear, specific, measurable, time-oriented, and focused on results. After the objectives are complete, the groups assess them against the SMART criteria in Exhibit B. When the objectives are drafted, the group completes the remainder of Worksheet AA.

As a final check, the group looks at the goals and its objectives as a group. It decides whether they adequately convey its intent, make sense, and aren't conflicting. The group makes necessary changes.



The group can build accountability for the strategic planning process by suggesting indicators that an agency can use to track its progress toward and achievement of an objective. The group should state what data would be needed and where it could be obtained for each indicator. This information is quite useful when an agency begins or adds to its performance measurement system.

When the group finishes its tasks, the results are shared with the strategic planning team. The team reviews the proposed objectives and offers feedback. The team can also suggest a schedule for follow-up reviews. An agency may find that an objective is overly ambitious or not challenging enough. A scheduled follow-up can uncover and respond to these situations.



Completing strategy development

The small group's final assignment is to describe how an agency is going to achieve its objectives. The option statements contained some preferred alternatives. The group should look at these in relation to the objectives it just formulated.

The simplest way is for the group to consider each objective separately. Someone writes an objective on a flip chart or puts it on an overhead. In a free association, group members suggest actions that an agency could pursue. A member records each idea on a large card and posts it on the wall. Looking at all the cards, the group combines similar or related suggestions. Then, it critically assesses those that remain. Exhibit C contains a list of discussion questions the group can use for its analysis. Primarily, the group should be interested in:

- the link between a strategy and achieving the objective;
- the costs and benefits of a strategy;
- an agency's capacity to undertake a strategy;
- any foreseeable constraints; and
- the fiscal impact.



Finally, the group selects those strategies that will be proposed to achieve objectives. The final proposals should describe the expected action and clearly assign responsibility for carrying it out.

Groups report their recommendations to the strategic planning team. The team reviews them from an agencywide perspective. It looks to see if any of the separate objectives and strategies compete or conflict with one another. The timing and estimated resource demands are also reviewed. The team tries to find and eliminate any overloads for people (sections or agency) or any time period. Strategic planning should integrate an agency's major activities, set priorities for them, and pace them to ensure progress without the risk of burnout.



A final task for the strategic planning team is to work with budget personnel and calculate the resource requirements of the proposed plan, identify where additional resources will be needed, and where resources can be redirected. The financial situation may force the team to modify some recommendations.

When the strategic planning team completes its analysis, it reports to senior management. The senior managers have final review and approval of all aspects of an agency's plan.

Developing the strategic plan

A strategic plan is a practical action-oriented guide, based on the examination of internal and external factors, which directs an agency and its resource allocations to produce meaningful results. While the primary focus of strategic planning is the thought process, a written document gives an agency the opportunity to describe the fundamental challenges it faces, what makes them critical, and their relative importance. Its goals, objectives, and strategies describe how it plans to respond to those challenges.

The strategic planning team suggests the contents for the plan and how it will be compiled and written. The team itself may undertake the entire assignment, the workgroups used throughout the process may be asked to write up assigned sections, or a single person or unit may be designated to compile the information and write it up. The senior managers make the final assignment.





An agency should tailor its plan to meet its needs. Some of the most frequently included elements are described below:

Mission statement

- The agency's unique reason for existence

Overview of the plan

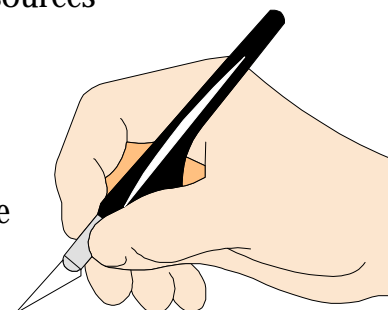
- Discussion of the benefits an agency expects from the process
- Recognition of agency accomplishments
- Brief description of the planning process used and its participants
- Explanation of the plan's elements and how to use them

Summary of agency mandates

- Description of the mandates and their sources

Constituent analysis

- Description of constituents and their relative priority
- Discussion of their expectations and the agency's ability to meet them



Core Business Activities

- Description of the core business activities
- Discussion of the priority for an agency's activities

Situation Assessment

- Description of the external trends and issues likely to impact the agency
- Discussion of the opportunities and threats
- Analysis of the internal operations of the agency
- Discussion of the agency's internal strengths and weaknesses



Critical Issues

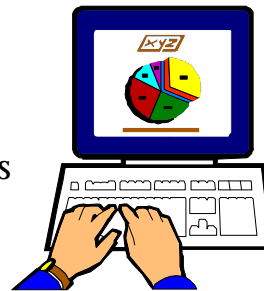
- Description of the critical issues the agency faces and the challenges they present
- Explanation of the issues' priority

Strategic Summary

- Goals the agency desires to pursue
- Objectives that describe the specific outcomes
- Description of how the agency proposes to move in the preferred direction
- Assignment of responsibility for the actions

Tracking and Evaluation

- Process to monitoring progress
- Role of performance measures
- Description of key performance measures



A coordinator collects the plan's elements and integrates the pieces to tell a story about what the agency is, where it is now, what its desires and aspirations are, and how it expects to achieve them. The strategic planning team reviews the draft and coordinates a review process.

When the reviews are completed, the strategic planning team produces and distributes the plan to agency staff. The finished document should be attractive, useful, and meaningful for agency staff. A professional appearance conveys its level of importance.

The strategic planning team schedules orientation sessions to introduce and discuss the plan. To the extent practical, the agency head should be heavily involved in the meetings. Having the agency head pronounce his/her commitment to and support of the strategic plan is an excellent way to convey its importance. An agency improves its likelihood of a successful implementation, when it adequately prepares staff for what is planned.



Periodic review

The strategic plan should undergo an annual assessment. This helps an agency:

- evaluate progress toward the goals and objectives;
- determine what went well and what lessons were learned;
- modify the plan to make it more realistic or challenging depending upon the circumstances; and
- prepare useful information for the next planning cycle.

Worksheet BB gives a suggested outline for an annual assessment report. The report summarizes the findings of the assessment. It may be sent to agency staff and key constituents to update them on the plan.

➡ Sample worksheets

- Worksheet AA: Objectives to support a goal
- Worksheet BB: Guide to an annual assessment of the strategic plan
- Exhibit C: Characteristics of effective objectives

➡ Examples

Objectives for Meridian, Mississippi

- To reduce the illiteracy rate to 10% or less by the year 2000.
- To have high school graduation rate more than 75% by the year 2000.
- To work toward a single public school system by 1995.

Other examples:

- To reduce by 5% the average cost of processing new hires by June 2000.
- To reduce the highway death rate by 10% in fiscal year 2000.





Getting More Specific--Action Planning

➔ Purpose of step

While the strategic plan forms the broad framework within which an agency operates, the plan is generally implemented through a series of short-term action plans. (Sometimes referred to simply as action planning, operational planning, yearly planning or tactical planning.

Action planning links an agency's strategic goals and objectives to its day-to-day operations. While an agency uses a six-year planning horizon for its strategic plan, the action plan concentrates on what the agency can do within a specific year to execute its strategic direction. Therefore, action plans describe operations, procedures, and processes. They tell who does what and when it is to be done. It is also a tool to track and report on progress toward the strategic goals. The action plan guides the individual, section, or unit actions that move the agency in its preferred direction. The plan's specificity enables an agency to compute the resource requirements needed for every action and use that to prepare budget requests.

➔ Possible desired outcomes

- Yearly agency action plan

➔ Facilitation suggestions

Senior management decides how to proceed with action planning. The resulting action plan describes the portion of the strategic plan that an agency will implement over a specific time period, generally a year. It lists and sets the priority for the short-term or operational goals.

Action planning can be subdivided into two components. The first is the responsibility of senior management and the second individual program, division, section, or unit staff. Senior management decides the portion of



the strategic plan that an agency will address. They share this with the agency and make assignments.

The unit that receives an assignment develops a workplan for implementing its part of the strategic plan. They describe the specific action steps and assign responsibility for completion, along with the expected time frame and resources needed. The resource needs (human, physical and financial) feed directly into the capital and operating budget requests, as well as to the human and information resource management processes.

Information that identifies the steps, the responsible parties, time frame, and resources needed is compiled into an action plan. A tracking and monitoring system should be established to track progress. Worksheet CC provides a possible template for an action plan.

An agency is reminded that the action plan is a short-term (1-2 year) plan. It helps the agency see exactly what must be accomplished each year to move in the direction outlined by the strategic plan and what inputs are required, who is responsible, and when each task should be completed. This information supports budget development and guides the annual operating plan.

Staff received a copy of the action plan. A briefing from managers should follow distribution. Successful implementation depends on all employees understanding the plan and their part in it. Management needs to be deliberate in seeing that this is accomplished.

➡ Sample worksheets

- Worksheet CC: Format for an annual action plan



Examples

Sample Action Plan

Action Plan for FY 2000					
Strategic Goal:	Increase the state's businesses' impact on and share of global markets.				
Strategic Objectives:	By June 30, 1999, at least 50 state firms, with an emphasis on small and minority firms, will have been helped to overcome structural impediments affecting their export sales.				
Strategy:	The department will establish a free trade advisory service to help businesses identify various categories of merchandise and services trade barriers and to design strategies to neutralize them.				
Strategic Goal:					
Action Plan Step	Responsible Person (s)	Time Frame	Resources Required	Completion Date	
Identify and contact potential advisory service members	Trade section	2 months			

